

RELEASED
RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

GGD-77-43

3-31-77



REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES



Need To Strengthen Financial Accountability To The Congress

Smithsonian Institution

Two private corporations established by the Smithsonian should be dissolved because they avoid Federal laws governing appropriated funds and because their functions can be readily carried out within the Smithsonian organization. The Congress should be kept better informed on Smithsonian financial matters, including proposed uses of its private funds.

U51830

~~709123~~

100297

GGD-77-43

MARCH 31, 1977



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-133332

The Honorable Robert C. Byrd, Chairman
The Honorable Ted Stevens, Ranking
Minority Member, Subcommittee on
the Department of the Interior and
Related Agencies
Committee on Appropriations
United States Senate

This report covers the results of part of the work we are performing at the Smithsonian Institution in response to your joint request of June 14, 1976.

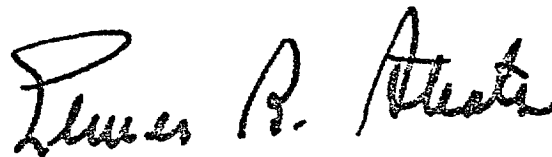
Our review disclosed three specific problems that have to be resolved: (1) the Smithsonian's distribution of Federal funds to private, nonprofit corporations thereby avoiding fiscal year and civil service restrictions, (2) the need for congressional approval of reprogramming of funds within the Salaries and Expenses appropriation, and (3) the need for the Congress to be informed of the Smithsonian's planned use of private funds.

Smithsonian officials disagree with our position that they should not use private, nonprofit corporations to disburse Federal funds, contending that the corporations enable them to operate programs efficiently and effectively. We believe the Smithsonian should not channel appropriated funds through the corporations in order to use them in a way that it clearly could not if the funds were spent directly.

We are recommending to the Smithsonian Board of Regents that the Smithsonian Research Foundation and Smithsonian Science Information Exchange be dissolved and that the Smithsonian justify to the Congress the exemptions from existing laws it believes necessary to run effectively, and with a minimum of red tape, programs now funded through these corporations.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on action taken on our recommendations to the House Committees on Government Operations and the Senate Committee on Government Affairs not later than 60 days after the date of the report, and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this report. We will be in touch with your office in the near future to arrange for release of the report so that the requirements of section 236 can be set in motion since we think the Smithsonian as the recipient of appropriated funds should comply with section 236.

The report contains information on a number of other topics in which you expressed interest. Work is continuing on the Smithsonian's cash management and banking practices and the fiscal policies of the National Gallery of Art.

A handwritten signature in dark ink, appearing to read "James B. Auer". The signature is fluid and cursive, with a large initial "J" and a stylized "A".

Comptroller General
of the United States

CONTENTS

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Scope of Review	4
2	AVOIDANCE OF RESTRICTIONS ON THE USE OF APPROPRIATED FUNDS	5
	Why the Smithsonian Research Foundation was established	5
	What the Foundation does	8
	Financial operations	12
	Conclusions	13
	Agency comments and our evaluation	13
	Smithsonian Science Information Exchange	15
	Agency comments and our evaluation	18
	Recommendation to the Board of Regents	18
	Recommendation to the Secretary	19
3	THE CONGRESS NEEDS MORE INFORMATION ON SMITHSONIAN FINANCES	20
	Reprogramming of operating funds:	
	The Congress needs to be informed	20
	The Congress needs to know how Smithsonian private funds are to be used	24
	Conclusions	30
	Recommendations	31
	Agency comments	31
4	ESTABLISHMENT OF FACILITIES AND THEIR IMPACT ON FEDERAL FUNDING REQUIREMENTS	33
	Cooper-Hewitt Museum of Decorative Arts and Design	33
	Chesapeake Bay Center for Environmental Studies	40
	Conservation and Research Center	43
	Smithsonian Tropical Research Institute	45
	Conclusions	47
	Agency comments	47

		<u>Page</u>
CHAPTER		
5	OTHER MATTERS	48
	Museum support facility	48
	Conclusion	50
	Smithsonian expanding research role	51
	Travel by Smithsonian officials	53
APPENDIX		
I	Letter from the Committee on Appropriations requesting review	55
II	Application of salary and expense funds for fiscal year 1976 and the transition quarter	57
III	Summary of travel for assistant secretaries and above for fiscal years 1974, 1975, 1976, and transition quarter	62
IV	The role of the Secretary of the Smithsonian Institution	65
V	Letter dated March 21, 1977, from Secretary of the Smithsonian	75
VI	Principal officials of the Smithsonian Institution responsible for administering activities discussed in this report	110

COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON THE
DEPARTMENT OF THE INTERIOR
AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NEED TO STRENGTHEN FINANCIAL
ACCOUNTABILITY TO THE CONGRESS
Smithsonian Institution

D I G E S T

About 90 percent of the Smithsonian's funds come from the Government; 80 percent in direct appropriations and 10 percent in grants from Federal agencies.

In requesting GAO to review the Smithsonian Institution's fiscal practices and policies, the Chairman and the Ranking Minority Member of the Appropriations Subcommittee expressed concern over the management and accountability of Federal funds. This report covers the results of reviews of selected Smithsonian activities. Work is continuing on other reviews requested by the Subcommittee. The results of that work will be reported on separately. (See app. I and p. 4.)

GAO identified three specific problems that have to be resolved.

DISTRIBUTION OF FEDERAL FUNDS
TO PRIVATE NONPROFIT CORPORATIONS
TO AVOID FEDERAL RESTRICTIONS

The Smithsonian established the Smithsonian Research Foundation--a private nonprofit corporation--to distribute Federal funds as a means of avoiding restrictions on the use of appropriated funds. Funds channeled through the Foundation are treated as private funds in the hands of recipients, many of whom are Smithsonian employees, to be spent without regard to restrictions, such as civil service laws and fiscal year limitations.

Funds appropriated by the Congress for the following activities are channeled through the Foundation:

--Research Awards Program.

--Academic and Educational Programs.

GGD-77-43

--Special Foreign Currency Program.

--Woodrow Wilson International Center for Scholars.

About \$2.3 million was disbursed by the Foundation during the 15 months ended September 30, 1976. GAO's discussions with Smithsonian officials show that a common reason given for disbursing funds through the Foundation is their desire to avoid the restrictions placed on appropriated funds. In this connection we noted that while both private and Federal funds are expended by the Smithsonian on some of these programs, only Federal money is disbursed through the Foundation. The Foundation--consisting of three employees and fully controlled by the Smithsonian--serves no function of consequence other than as a device that attempts to avoid restrictions relevant to appropriated funds. The Smithsonian should not use funds channeled through the Foundation in a way that it clearly could not if it spent the funds directly.

The Smithsonian Science Information Exchange was not specifically established as an independent corporation solely to avoid Federal restrictions on the use of appropriated funds. However, its corporate form accomplishes that purpose. GAO believes that there is no need for it to be operated independent of the Smithsonian. (See pp. 15 to 18.)

REPROGRAMING OF FUNDS:
A CONTINUING PROBLEM

For years the Smithsonian established a contingency fund at the beginning of each fiscal year by withholding about 2 percent of the amounts budgeted for certain line items under the Salaries and Expenses appropriation. The contingency fund amounted to about \$1 million in fiscal years 1974 through 1976. During the course of each year, the fund was allocated to various programs and projects. Other reprogramings of the Salaries and Expenses appropriation also took place.

The Smithsonian did not inform the Appropriations Committees of Salaries and Expenses reprograming accomplished through the contingency fund or otherwise, although the Committees had expressed their desire to approve reprogramings. Smithsonian officials indicated that they were unsure of what actions required congressional approval, and the matter was never satisfactorily resolved with the Committees.

The contingency fund was abolished in fiscal year 1977 in response to congressional directives. However, the Smithsonian can still, as a matter of law, reprogram funds among programs, projects, and line items covered by its lump sum Salaries and Expenses appropriation. The Appropriations Committees and Smithsonian need to reach an understanding as to which reprogramings require Committee approval. Otherwise the Congress has no assurance that appropriated funds will be spent as it intended.

In fiscal year 1977 the Smithsonian requested the Committees' permission to reprogram a total of \$765,000 of its Salaries and Expenses appropriation. As of February 14, 1977, not all requests had been approved. The basic question of which reprogramming actions require approval had not been resolved, although the Smithsonian and the Committees were working to develop guidelines governing the types of reprogramings requiring Committee approval.

NEED TO INFORM THE CONGRESS OF THE PLANNED USE OF PRIVATE FUNDS

Because the Smithsonian receives private as well as Federal financial support, it has a degree of flexibility not enjoyed by Federal departments and agencies. The Smithsonian is able to undertake programs and acquire facilities with private funds without prior congressional approval, even though these may eventually impact on the level of Federal funding required to support the Smithsonian.

The Cooper-Hewitt Museum in New York City is an example of a new undertaking initially planned to be financed solely with private funds but now requiring continuing Federal support. (See pp. 33 to 39.) The large stake the Government has in the activities of the Smithsonian dictates the need for the Smithsonian to keep the Congress informed of major new programs and directions, even when formal congressional approval is not required.

Private funds are used for the same or similar purposes as funds appropriated by the Congress. The Smithsonian does not provide the Appropriations Committees with information on the planned uses of its private funds and, as a result, the Committees cannot fully assess the impact of their budgetary decisions on Smithsonian programs and activities. A greater recognition of the Congress' need to know by Smithsonian officials would go a long way to dispel

congressional concerns over the lack of accountability, and do much to preserve the operating flexibility the Smithsonian desires.

RECOMMENDATIONS

GAO recommends that the Board of Regents, Smithsonian Institution:

- Dissolve the Smithsonian Research Foundation and the Smithsonian Science Information Exchange.
- Provide the Appropriations Committees with information on the planned use of private funds when appropriation requests are submitted.
- Establish, in conjunction with the appropriate congressional committees, clear policies governing the use of Federal and private funds.

GAO also recommends that the Secretary, Smithsonian Institution:

- Propose and justify to the Congress the exemptions from existing legislation that the Smithsonian believes it needs to run effectively, with a minimum of red tape, the programs now funded through the Smithsonian Research Foundation and the Smithsonian Science Information Exchange.
- Continue working with the Appropriations Committees to reach a common understanding as to the types of budget reprogramming actions the Committees wish to approve in advance, and, in the interim, continue seeking Committee approval of all reprogramming actions.

AGENCY ACTIONS AND UNRESOLVED MATTERS

The Smithsonian does not agree with GAO's position or recommendations to dissolve the Smithsonian Research Foundation and Smithsonian Science Information Exchange. Smithsonian's position is that the Foundation and the Exchange were both created with the approval of the Regents, the knowledge of the Congress, and meet the requirements of law. Smithsonian officials believe that the programs administered by the Foundation and

the Exchange are administered more efficiently and effectively independent of the Smithsonian.

The Smithsonian generally agrees with GAO's conclusions and recommendations concerning the reprogramming of funds within the Salaries and Expenses appropriation and with the need to inform the Congress of the planned use of private funds.

CHAPTER 1

INTRODUCTION

The Chairman and the Ranking Minority Member, Senate Subcommittee on the Department of the Interior and Related Agencies, Committee on Appropriations, requested that we review various activities of the Smithsonian Institution, Washington, D.C. (See app. I.)

The Congress created the Smithsonian Institution in 1846 to carry out the terms of the will of James Smithson of England, who had bequeathed his entire estate to the United States "to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men."

After accepting the trust property for the United States, the Congress vested responsibility for administering the trust in the Smithsonian Board of Regents composed of the Chief Justice, the Vice President, three Members of the Senate, three Members of the House of Representatives, and nine citizen members appointed by joint resolution of the Congress. The Board of Regents elects the Secretary of the Smithsonian, who is the chief executive officer. The Secretary is assisted by an Executive Committee consisting of the Assistant Secretaries for Science, History and Art, Public Service, Museum Programs, and Administration; the Treasurer; the Director of Support Activities; the General Counsel; and an Executive Assistant.

The Smithsonian has become one of the world's leading research centers and largest museum complexes. The Smithsonian engages in a wide variety of activities, such as conducting basic research, explorations and investigations; preserving for study and reference, items of scientific, cultural, and historical interest; maintaining exhibits representative of the arts, American history, aeronautics, space exploration, technology, and natural history; and engaging in programs of education and cooperative educational research with national and international organizations.

The Smithsonian receives financial support from both Federal and private sources. Federal funds are appropriated annually for expenses of the various Smithsonian museums and educational and research centers. Excess foreign currencies

are appropriated for a separate program of academic grants for overseas research projects. Federal funds are also appropriated for renovation and restoration of buildings and for construction and improvements. Additional funds are received from Federal agencies and private institutions in the form of research grants and contracts. Private funds are derived from gifts, investment income, the Smithsonian Associates Program, museum shops, concession fees, and other revenue producing activities. The following table summarizes the Smithsonian's sources of funds for the last 3 fiscal years.

Smithsonian's Sources of Funds
For Fiscal Years 1974 through 1976

<u>Source of funds</u>	<u>Fiscal year 1974</u>		<u>Fiscal year 1975</u>		<u>Fiscal year 1976(note a)</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Federal appropriation	\$ 86,923,000	83	\$ 92,421,000	79	\$121,076,000	77
Federal research grants and contracts(note b)	<u>9,996,000</u>	<u>9</u>	<u>12,292,000</u>	<u>11</u>	<u>15,512,000</u>	<u>11</u>
Total Federal funds	<u>\$ 96,919,000</u>	<u>92</u>	<u>\$104,713,000</u>	<u>90</u>	<u>\$136,588,000</u>	<u>88</u>
Private funds	<u>8,954,000</u>	<u>8</u>	<u>11,007,000</u>	<u>10</u>	<u>16,999,000</u>	<u>12</u>
Total Federal and private funds	<u><u>\$105,873,000</u></u>	<u><u>100</u></u>	<u><u>\$115,720,000</u></u>	<u><u>100</u></u>	<u><u>\$153,587,000</u></u>	<u><u>100</u></u>

a/Includes new fiscal year transition quarter - July through September 1976.

b/The Smithsonian classifies these funds private funds.

At September 30, 1976, the Smithsonian had a total of 4,625 full-time employees--3,487 on the Federal payroll and 1,138 on the private payroll.

SCOPE OF REVIEW

We reviewed selected aspects of the Smithsonian Institution's fiscal policies and practices, selected activities of its affiliated nonprofit organizations, and other matters of interest to the Subcommittee. In addition to reviewing Smithsonian activities conducted in Washington, D.C., we visited the following Smithsonian facilities:

- Conservation and Research Center, Front Royal, Virginia.
- Cooper-Hewitt Museum, New York; New York.
- The Chesapeake Bay Center for Environmental Studies near Annapolis, Maryland.
- The museum support facility, Silver Hill, Maryland.
- The Smithsonian Tropical Research Institute, Panama.

In response to requests from the Subcommittee, audit work at the Smithsonian is continuing. The principal areas of review are

- banking and cash management practices and
- financial management at the National Gallery of Art.

The results of this work will be covered in later reports.

CHAPTER 2

AVOIDANCE OF RESTRICTIONS ON

THE USE OF APPROPRIATED FUNDS

The Smithsonian established the Smithsonian Research Foundation--a private, nonprofit corporation--to disburse appropriated funds. Funds channeled through the Foundation are treated as private funds by the recipients and spent without regard to restrictions, such as civil service laws and fiscal year limitations, governing the use of appropriated funds.

The Foundation--consisting of three employees and fully controlled by the Smithsonian--serves no function of consequence other than as a device that attempts to convert Federal funds into private money. The Smithsonian did not adequately inform the Congress or obtain its approval to establish the Foundation and operate independent of civil service laws and fiscal year limitations. In our opinion the Smithsonian should not use funds channeled through the Foundation in a way that it clearly could not if it spent the funds directly.

WHY THE SMITHSONIAN RESEARCH FOUNDATION WAS ESTABLISHED

Before fiscal year 1966, Smithsonian scientists received research grants from the National Science Foundation. Grant funds received from Federal agencies are treated as private funds by the Smithsonian, just as they are when received by colleges and universities. However, the Independent Appropriations Act of 1966 precluded the National Science Foundation from transferring funds to a governmental unit that receives direct appropriations for research without receiving, in each individual case, specific permission from the Bureau of the Budget. Beginning with fiscal year 1966, the Smithsonian has requested and received research funds from the Congress to replace the funds previously received from the National Science Foundation.

In hearings before the Senate Appropriations Subcommittee in March of 1965 the Secretary offered the following explanation of how the research funds would be spent.

"We intend to allocate this money in exactly the same way as when the National Science Foundation gave it to us. We will have to set up research panels to advise and judge the requests for grants and the same standards of excellence we anticipate will prevail as when the National Science Foundation awarded them to us in the open market, as it were. Other scientists were requesting these moneys from all over the country."

In response to a question raised in the hearings on the 1967 budget request the Secretary responded in pertinent part:

"Under a statute, under the Independent Appropriations Act for 1966, the National Science Foundation was precluded from transferring funds to any other agency of the Government for research and grants without, in each individual case, specific permission of the Bureau of the Budget.

"As a result of that, we requested last year a sum representing the average of the amount our individual scientists have been granted by the Foundation, just as they might have obtained grants at other institutions anywhere in the country, and this sum represented \$350,000. We feel that these projects are of such scope and depth as individual research projects that they are not viewed as ordinary research undertakings which would be supported by our conventional funding means. Prior to 1966, members of our staff were permitted to submit these proposals to the National Science Foundation: under present law they cannot do so except in special cases. As a result, our scientists submit these grant proposals to review panels within the Smithsonian. The grant is for an appropriate period of time.

"The funds are intended to serve a special purpose for a project rather than for the ongoing institutional normal funding we request. We feel this small amount of research money would be most advisable.

"* * * These funds together with the base amount of \$350,000 appropriated for 1966 will be administered on the same basis as were the grants received from the National Science Foundation."

A paper prepared for the Executive Committee of the Board of Regents in deciding whether the Smithsonian Research Foundation should be established states

"In order to achieve the same degree of flexibility in administering these special funds independent of fiscal year limitations or civil service requirements; it is proposed to establish a research foundation to receive, disburse, and account for the funds granted to projects which have been competitively selected for a research award. The foundation will have a corporate structure composed entirely of Smithsonian personnel."

The paper concluded by stating

"In addition to financing and administering research projects formerly funded by the NSF, it is contemplated that the foundation may also prove useful for other special programs such as visiting fellowship awards or cooperative projects in field biology."

The Executive Committee approved the proposed establishment of the Foundation which was then presented to the Board of Regents for approval.

At the Board of Regents meeting a discussion on why the Foundation was needed took place. A question arose as to whether the Foundation could be established without congressional approval. The Secretary responded that the Foundation was in effect a special bank account through which funds would be administered in the same way other grants for research are administered. These funds would be expended and replenished each fiscal year and this system would simplify administrative procedures in the financing of scientific projects by Smithsonian scientists. The Board of Regents approved the establishment of the Foundation and in June of 1966 it was incorporated in the District of Columbia as a private non-profit corporation.

In hearings held in March 1967--the first hearings held after the Foundation was created--the Subcommittee Chairman asked with respect to the research awards program, "Just what is this program?" In the Secretary's response, no mention was made of the Foundation or the Smithsonian's need and intent to operate independent of fiscal year or civil service requirements.

The Smithsonian's General Counsel stated that receiving the research funds through the appropriation process created the following problems:

- Federal employees cannot receive Federal grants, which in effect made Smithsonian Federal employees ineligible to participate in the program.
- Research assistants must be hired from the civil service rolls which limits Smithsonian scientists' flexibility in operating their research projects.
- Appropriated funds must be obligated within 1 year which allowed the Smithsonian little flexibility in operating the research awards program.

Funds for other Smithsonian programs have been channeled through the Foundation. Smithsonian officials contend that agreements with the Foundation obligated funds and that when funds are transferred to the Foundation by means of these agreements the appropriated funds become private funds and restrictions on the use of the appropriated funds no longer apply.

WHAT THE FOUNDATION DOES

The Foundation's Board of Directors is composed entirely of Smithsonian officials appointed by the Secretary of the Smithsonian Institution, who is Chairman of the Board and President of the Foundation. He appoints all other officers of the Foundation and the Board of Directors.

The stated purpose of the Foundation is to cooperate with the Smithsonian in encouraging, sponsoring, aiding, or conducting scientific research; studies in education, the arts, and the humanities; training persons in any of these areas; and making gifts, grants, contracts, for any of these purposes. However, the Foundation has three employees and its actual functions are set out in annual agreements between the Foundation and various bureaus of the Smithsonian. The agreements covering the last 3 fiscal years--1974-76--provide essentially for the Foundation to do no more than disburse funds and maintain records supporting the following programs.

1. Grants and fellowships awarded to Smithsonian employees or other individuals for study and research and charged to Smithsonian's Salaries and Expenses appropriation for the Office of Academic Studies and the Research Awards Program.

2. Grants awarded to Smithsonian employees for research in foreign countries and charged to United States' excess foreign currencies appropriated to the Smithsonian for its Special Foreign Currency Program.

3. Grants, stipends, and fellowships awarded to various individuals by the Woodrow Wilson International Center for Scholars.

4. Miscellaneous Smithsonian activities funded from the Salaries and Expenses appropriation, such as Smithsonian conferences, lectures, seminars, and educational activities; internships; and the Foundation's administrative fees.

The Foundation does not perform scientific research, does not provide educational services, does not get involved in decisions on the use and allocation of funds, and does not have responsibility for supervising the programs. In short, the Foundation does not provide any management function, of consequence.

Smithsonian program officials were asked why funds for their particular program were channeled through the Foundation.

The Office of Academic Studies awards fellowships to individuals in the academic world to study and conduct research at the Smithsonian. The program officer stated they use the Foundation because of the flexibility it provides. It was explained that the Office of Academic Studies operates its program on a calendar year rather than fiscal year basis; consequently, the fiscal year limitation on Federal funds creates a problem. To resolve this problem, its funds are transferred in a lump sum to the Foundation by means of an agreement, usually at the end of each fiscal year. This is presumed to be a valid obligation of funds, converts the funds into private money, allows the Office of Academic Studies to avoid the year-end limitation on the funds, and permits the Office to award grants after the close of the fiscal year for which the funds were appropriated.

Besides Federal funds, the Office of Academic Studies has some private funds it awards to fellows. According to the program officer, the private funds are not transferred to the Foundation but are handled by the Office directly.

The Office of International Programs is responsible for operating the Smithsonian's Special Foreign Currency Program. The purpose of this program is to award grants for research in foreign countries where the United States has excess foreign currency. Only the grants awarded to Smithsonian employees are administered through the Foundation. The Office of International Programs directly administers the grants to other individuals. The Director of the program was asked why the Foundation administered the awards to Smithsonian employees. He stated that he understood that Federal grants cannot be awarded to Federal employees and that by channeling grants to Smithsonian employees through the Foundation the Federal funds became private funds and the problem no longer existed. The excess foreign currency appropriation is available until expended, and the use of the Foundation offers no benefit in avoiding fiscal year limitations.

The Woodrow Wilson International Center for Scholars awards fellowships to individuals to conduct scholarly research in various disciplines. The Center's Assistant Director for Administration stated that it uses the Foundation because the Center lacks administrative capabilities.

The Center's agreement with the Foundation provides a lump sum to be used to support individual grants designated by the Center. In addition to awarding fellowships with Federal funds, the Center has private funds that support fellowship awards. The Foundation administers Federal funds, but the Smithsonian's Grants and Insurance Administration Division administers private funds. We asked the Center's Assistant Director for Administration why the Foundation is used to administer the fellowships supported by Federal funds and not the private funds. He explained that at one time the Foundation administered all fellowships but the Smithsonian informed him that the Smithsonian should administer the private funds. The Treasurer of the Smithsonian acknowledged that it was the Smithsonian's intent to have the Foundation only administer Federal funds. It should be noted that by transferring the Center's funds to the Foundation, the fiscal year limitation on their use is eliminated.

The following chart shows the amount of Federal funds that have been transferred to the Foundation during the last 3 fiscal years, including the transition quarter.

<u>Program</u>	<u>Fiscal years</u>			<u>Total</u>
	<u>1974</u>	<u>1975</u>	<u>1976 and transition quarter</u>	
Special Foreign Currency(note a)	\$1,563,729.69	\$314,879.00	\$192,294.00	\$2,070,902.69
Research Awards Program(note a)	429,750.00	450,000.00	535,000.00	1,414,750.00
Miscellaneous grants(note b)	<u>276,794.00</u>	<u>157,670.38</u>	<u>254,010.00</u>	<u>688,474.38</u>
Total Awards for Smithsonian purposes	<u>2,270,273.69</u>	<u>922,549.38</u>	<u>981,304.00</u>	<u>4,174,127.07</u>
Office of Academic Studies	495,661.00	582,844.00	750,075.00	1,828,580.00
Woodrow Wilson International Center for Scholars	<u>386,543.29</u>	<u>488,000.00</u>	<u>559,029.00</u>	<u>1,433,572.29</u>
Total awards to non- Smithsonian employees	<u>882,204.29</u>	<u>1,070,844.00</u>	<u>1,309,104.00</u>	<u>3,262,152.29</u>
Total funds transferred to the Foundation	<u>\$3,152,477.98</u>	<u>\$1,993,393.38</u>	<u>\$2,290,408.00</u>	<u>\$7,436,279.36</u>

a/Awards made to Smithsonian research scientists.

b/Awards made for various activities, including Foundation administrative fees; Smithsonian conferences, seminars, lectures, and educational activities; internships; and research consultants.

FINANCIAL OPERATIONS

The primary purpose of the agreements with the Foundation is to establish a means to keep program funds from lapsing at the end of the fiscal year, and to overcome civil service law restrictions applicable to the hiring of research assistants. The agreements provide for the Foundation to administer funds to grantees subsequently designated by the Smithsonian. While the Foundation performs some housekeeping services in administering the funds, the cost of those services represents a small portion of the total funds transferred to the Foundation; in fact, many of the services the Foundation is obliged to perform under the agreement are actually performed by the Smithsonian itself under a separate contract with the Foundation.

The Smithsonian purports to obligate its appropriations at the time it signs agreements with the Foundation. Under the agreements, the Smithsonian conveys through the Foundation, to those that the Smithsonian designates, funds that otherwise clearly would become unavailable. The following tabulation shows the dates selected fiscal year funds were considered obligated under the agreements, and the period of performance for the Research Awards Program and various miscellaneous projects sponsored by the Office of Academic Studies.

<u>Date of obligation</u>	<u>Fiscal year funds obligated</u>	<u>Period of performance</u>	<u>Amount</u>
Research Awards Program:			
6/28/74	1974	6/30/74 to 6/30/75	\$450,000
6/30/75	1975	6/30/75 to 6/30/76	450,000
Office of Academic Studies:			
6/30/73	1973	fiscal year 1974	185,000
6/28/74	1974	fiscal year 1975	397,000
9/30/76	1976	fiscal year 1977	80,517

In many cases the specific research projects were made to and accepted by the recipients on various dates after the end of the fiscal year in which the funds were considered obligated.

We noted a number of other obligations recorded for miscellaneous contracts awarded to the Foundation. A total of \$57,000 was obligated in fiscal years 1974 through 1976 under the Urgent Anthropology Program, but as of late February 1977 no research projects had been selected. The obligations had been recorded in late June of fiscal years 1974, 1975, and 1976, and late September 1976, covering the transition quarter. Thus, the funds were being accumulated by the Foundation awaiting a decision by the Smithsonian to undertake the project. In another instance the Smithsonian recorded on June 24, 1974, an obligation of \$103,000 of fiscal year 1974 funds covering reimbursement to the Foundation for administering foreign currency grants in fiscal year 1975. The above-cited transactions served as a device to hold onto funds after their availability lapsed.

Hiring of employees outside of Civil Service System

Congress has provided the Smithsonian through the Research Awards Program, with funds for individual research projects by Smithsonian scientists. The Research Awards Program is funded as part of the Smithsonian Salaries and Expenses appropriation. Some of the funds in the Research Awards Program are used to hire research assistants for Smithsonian scientists, without regard to the restrictions of the Civil Service System. This is justified by the Smithsonian because the funds used to pay the assistants have been channeled through the Foundation. We question whether Congress would approve of this treatment of appropriated funds to hire non-civil service employees.

CONCLUSIONS

The Smithsonian Research Foundation was established to overcome restrictions placed on appropriated funds, and civil service rules. It is not used to administer the private funds received by the Foundation--only the appropriated funds. Except for its "virtue" of overcoming the effect of laws that typically attach to appropriated funds, the Foundation appears to serve no useful function that could not be performed by the Smithsonian itself.

AGENCY COMMENTS AND OUR EVALUATION

The Smithsonian's comments pertaining to the Foundation contend that: (1) full notification of the purposes for establishing the Foundation was provided to the Board of Regents and the Congress, (2) the Foundation performs

economically, management functions of consequence, and, (3) the agreements between the Smithsonian and the Foundation meet legal requirements.

Smithsonian officials believe that our criticism should be tempered by the fact that six Members of the Congress, including members of the Smithsonian's oversight and appropriations committees, were serving as Regents when the Foundation was approved. While this is true, we do not equate approval by the Board of Regents with approval by the Congress. Nonetheless, the Smithsonian never adequately informed the Congress of the creation of the Foundation or of its intent to operate independent of fiscal year and civil service requirements, although it had the opportunity to do so during appropriation hearings.

The Smithsonian relies on the same facts to support its conclusion that there was full disclosure to the Regents and the Congress as we do in concluding that there was not.

Our criticism is muted by the fact that there is nothing to suggest that appropriated funds were spent on anything but the programs authorized. Nonetheless, the Smithsonian should have presented to the Committees its case for operating outside the normal appropriations and civil service law restrictions. Assuming the Committees would have been swayed by the Smithsonian justification, they then would have had the options of approving the concept of the Foundation, or granting exemptions from civil service laws and providing no year appropriations. Since the Smithsonian has never obtained congressional approval for the Foundation, we believe it should not use funds channeled through the Foundation in a way that it clearly could not if it spent the funds directly.

The Smithsonian takes exception to the statement that the Foundation performs no management function of consequence. The Smithsonian listed several administrative functions performed by the Foundation. However, it must be recognized that the Foundation contracts back with the Smithsonian to provide many administrative functions because it lacks such capabilities. Consequently, the Foundation maintains little more than a house-keeping operation and its primary function is the disbursement of funds. The fact that private funds expended on the same programs are administered by the Smithsonian and not by the Foundation demonstrates that the Foundation exists to avoid restrictions applicable to appropriated funds.

Smithsonian officials believe that the Foundation administers its programs more economically than would otherwise be the case. We do not believe this issue is particularly relevant to the discussion and did not make a detailed analysis of the costs involved. However, we do not see how the workload would differ with the form of the organization.

The Smithsonian states that the Foundation is legally constituted and the agreements between the Smithsonian and the Foundation are legally binding. We are not questioning the legal standing of the agreements or the Foundation. Even assuming the agreements and the Foundation meet legal requirements, does not lead one automatically to the conclusion that it was proper for the Smithsonian to create the Foundation to operate its programs independent of fiscal year and civil service requirements without clear approval from the Congress.

SMITHSONIAN SCIENCE INFORMATION EXCHANGE

The Smithsonian incorporated the Smithsonian Science Information Exchange in June 1971 as a private, nonprofit corporation in the District of Columbia. It was organized to facilitate effective planning, management, and coordination of scientific research activities sponsored by governmental and private agencies and individuals; to provide for exchange of information about basic and applied research projects and proposals in physical, medical, biological, social, and engineering sciences; and to encourage scientific research, train persons for such activities, and make grants or contracts to accomplish any of these purposes.

In April 1971 the Smithsonian notified the Appropriation Committees that it intended to incorporate the Exchange and that such action had the approval of the Office of Management and Budget. The reasons given for incorporation were to

- continue Exchange operations without disruption
- provide flexibility to the Exchange as it built revenues from user charges
- eliminate the requirement to convert the Exchange's staff to civil service status.

The Smithsonian pointed out that the Smithsonian staff would retain full control of the Exchange through majority membership on the Exchange's Board of Directors, and that the primary concern of the Board would be with overall policy and program decisions, public relationships, resource planning and the management of the Exchange's fiscal affairs.

The Exchange is managed by a Board of Directors which is assisted by an Advisory Council. The Assistant Secretary for Science of the Smithsonian serves as Chairman of the nine-member Board, and the Secretary and two other employees of the Smithsonian are also Exchange Directors. The President of the Exchange is elected by the Board of Directors serves on the Board and appoints the other officers of the Exchange subject to the Board's approval. An Advisory Council of 22 members, nominated by the Chairman of the Board and appointed by the Secretary of the Smithsonian, advises the Board of Directors regarding the Exchange's technical and scientific functions and related policy matters.

The working relationship between the Smithsonian and the Exchange has been embodied in a series of substantially identical annual agreements under which the Exchange, as contractor, is to maintain the Exchange as the National repository of ongoing scientific research. Maintenance functions include negotiating for input, codifying and indexing incoming projects, storing materials, and improving data bank processes for handling records. The Smithsonian transfers funds appropriated by Congress for the Exchange's necessary expenses as the contract price under these agreements. Funds for the Exchange were no-year appropriations^{1/} until fiscal year 1975 when they became available for obligation on only a 1-fiscal-year basis. The Exchange charges fees to both Federal and non-Federal users of its services in accordance with directives from the Congress and the Office of Management and Budget.

The total funds available to the Exchange during each of the last 3 fiscal years ended September 30, 1976, were as follows:

^{1/} No-year appropriations are available until expended without regard to fiscal year.

	Fiscal year		
	<u>1974</u>	<u>1975</u>	<u>1976</u> (note a)
Appropriations	\$1,695,000	\$1,805,000	\$2,461,000
User fees	<u>416,273</u>	<u>834,003</u>	<u>1,519,714</u>
Total funds available	<u>\$2,111,273</u>	<u>\$2,639,003</u>	<u>\$3,980,714</u>

a/ Includes transition quarter.

Although the above tabulation shows that a substantial amount of the Exchange's financial support comes from user fees, it should be noted that a large part of such fees are received from Federal agencies. In fiscal year 1976, for example, about \$1.1 million of the fees came from Federal agencies. In that year, then, about 90 percent of the Exchange's financial support came from the Federal Government either in the form of direct appropriations or user fees.

Appropriated funds transferred under agreements with the Smithsonian are private funds in the hands of the Exchange.

Since the Exchange is a private, nonprofit corporation, it does not have to comply with Federal statutes such as fiscal year limitations and civil service and Federal procurement laws, applicable to the use of appropriated funds.

Before the incorporation of the Exchange as a private body in 1971, all or parts of its present functions were carried out beginning in 1950 by sundry organizational units indirectly connected with the Smithsonian, the National Science Foundation, and a number of other Federal agencies. These earlier organizations obtained their operating funds through grants and contracts from Federal agencies. User fees were instituted in 1969. The same situation prevailed then as it does today--the Federal operating funds and user fees were considered private funds in the hands of the predecessor organizations without the restrictions applicable to Federal funds.

AGENCY COMMENTS AND OUR EVALUATION

Smithsonian officials believe that any recommendation to dissolve the Exchange's corporate form, as we propose should be based on a clear demonstration of the operational benefits that such a change would bring. They believe that the Exchange is well run now and fully accountable to the Congress. They expressed concern that there would be severe impacts on the Exchange's staff and loss of flexibility to the Smithsonian to adjust the Exchange's operations, if the staff was converted to civil service status.

Our remarks about the Exchange's corporate form do not speak to the efficiency of the organization but to the questions of accountability and control. From the Smithsonian's justification for incorporation it is clear that the Exchange is controlled by the Smithsonian, and is almost wholly supported with Federal funds.

While we can agree that the Smithsonian provides the Congress with much information on the Exchange's activities, we do not necessarily equate this with effective congressional control and accountability. The fact that the funds appropriated to the Smithsonian were made 1-year funds by the Congress in 1975 but still become no-year funds in the hands of the Exchange demonstrates the impact the Exchange's corporate form has on congressional control. In our view the nature of the services provided by the Exchange and the fact that it is partly financed by user fees, of and by themselves, do not justify a corporate form of organization. In reaching this conclusion we are aware of the Exchange's history and that its incorporation by the Smithsonian was made known to the appropriate congressional committees beforehand.

RECOMMENDATION TO THE BOARD OF REGENTS

We recommend that the Board of Regents dissolve the Smithsonian Research Foundation and the Smithsonian Science Information Exchange. Further we recommend that their operations be carried out as part of the Smithsonian's regular organizational structure.

RECOMMENDATION TO THE SECRETARY,
SMITHSONIAN INSTITUTION

We recommend that the Secretary:

--propose and justify to the Congress the exemptions from existing legislation the Smithsonian believes it needs to run effectively, and with a minimum of red tape, the programs now funded through the Smithsonian Research Foundation and the Smithsonian Science Information Exchange.

CHAPTER 3

THE CONGRESS NEEDS MORE

INFORMATION ON SMITHSONIAN FINANCES

The Congress needs to receive better information on

- the reprograming of funds appropriated for salaries and expenses and
- the use of private funds to finance Smithsonian activities.

Without full and complete information the Congress cannot assess the impact its budgetary decisions will have on the Smithsonian nor does it have assurance that the funds are spent as intended.

REPROGRAMING OF OPERATING FUNDS: THE CONGRESS NEEDS TO BE INFORMED

For years the Smithsonian set up a contingency fund from its appropriation for salaries and expenses to meet extraordinary expenses that might occur during the year. The contingency fund was established by withholding about 2 percent from some line items in the Smithsonian's final salaries and expenses budget. In each of the last 3 fiscal years, 1974-76, the contingency fund amounted to about \$1 million.

Using the contingency fund and other budget reallocations resulted in some of the major budget categories and subcategories within the Salaries and Expenses appropriation receiving more and some less than the amounts the Smithsonian had allocated following congressional budget approval. The reallocated funds were all used for purposes authorized by the Salaries and Expenses appropriation. However, the approval of the Appropriations Committees was not obtained because Smithsonian officials were unsure of which budget reprograming actions, if any, the Committees wanted to approve in advance.

The contingency fund was abolished in fiscal year 1977. Re-programings continue, but requests for approval have been sent to the Appropriations Committees. Still, the Smithsonian and the Committees need to reach an understanding of the type of actions that require advance Committee approval.

Reprogramming of funds not
approved by Committees

In recent years the Congress has favored lump sum appropriations for Federal agencies stated in terms of broad object categories, such as the Salaries and Expenses appropriation of the Smithsonian.

In justifying requests for appropriations for salaries and expenses (operating funds) the Smithsonian breaks down the amounts requested into six major budget categories: (1) Science, (2) History and Art, (3) Public Service, (4) Museum Programs, (5) Special Programs, and (6) Administrative and Support Activities. Under each of these major categories, there are generally 5 to 13 subcategories totaling about 50 budget line items. The Smithsonian remains free, as a matter of law, to depart from its budget justifications and congressional expressions concerning them, so long as its use of funds is within the broad scope of the Salaries and Expenses appropriation and does not violate any limiting provision of the appropriation act. The Appropriations Committees have consistently expressed the desire to approve in advance budget reprogramming actions by agencies, including the Smithsonian, covered by the Department of the Interior and Related Agencies Appropriations bill.

The Smithsonian obtained advance approval on a number of occasions for reprogramming its Construction and Improvements and Repairs and Renovations appropriations. Also, the staff of the House and Senate Appropriations Committees were advised by the Smithsonian in 1971 of its practice of establishing a contingency fund to meet pressing emergency needs or opportunities. Smithsonian officials stated that because the Committee staffs did not respond they assumed the use of the contingency funds was approved. They told us that they were unsure of which Salaries and Expenses reprogrammings, if any, the committees wanted to approve. As a result, they had not obtained approval for reprogrammings within the Salaries and Expenses appropriation. Smithsonian's reallocations have been within the broad purposes of the Salaries and Expenses appropriation.

While it would appear to be simple enough to clarify the situation through a dialogue with the Committees, the Smithsonian officials indicated that discussions were held but they never obtained a clear understanding of what was required of them.

Commonly, during the congressional review and approval process the Smithsonian budget request was reduced in total without identifying what major category or subcategory should be adjusted. Consequently, the Congress did not generally provide the Smithsonian with an approved final allocation to budget categories of the amounts appropriated for salaries and expenses.

A limited exception to this general rule occurred in fiscal year 1975. The conference report directed the Smithsonian to provide the House and Senate Committees on Appropriations a report showing the Smithsonian's final allocation by program area of the amount the Congress authorized for salaries and expenses.

The following table compares by major budget category the amounts obligated by the Smithsonian with the allocations reported to the Committees.

SALARIES AND EXPENSES APPROPRIATION
FISCAL YEAR 1975

<u>Major budget category</u>	<u>Allocation of appropriation</u>	<u>Obligations</u>	<u>Obligations in excess of or less (-) than allocations</u>	<u>Difference as percent of allocation</u>
Science	\$26,520,000	\$26,790,716	\$ 270,716	1.0
History and art	11,468,000	11,183,502	-284,498	2.5
Public service	2,084,000	2,210,445	126,445	6.1
Museum programs	5,329,000	5,078,014	-250,986	4.7
Special programs	5,186,000	4,785,052	-400,948	7.7
Administrative and support services	<u>20,119,000</u>	<u>20,618,016</u>	<u>499,016</u>	2.5
Total	<u>\$70,706,000</u>	<u>\$70,665,745</u>	<u>\$ -40,255</u>	

No approval of these budget reprogramings was obtained, although the Senate report on the appropriations bill stated:

"No funds shall be reprogramed from approved projects and programs within activities without a written request from the agency involved requesting specific approval."
(Underscoring added.)

Current status of
reprogramming authority

In response to congressional directives, the Smithsonian did not establish a contingency fund from its fiscal year 1977 appropriation. Instead, reprogramming within the Salaries and Expenses appropriation has been requested from the Appropriation Committees.

In this connection, the Smithsonian requested the Appropriation Committees' approval to reprogram a total of \$765,000 of its 1977 appropriation and has proposed guidelines to the Committees as to what items should be subject to advance Committee approval. This is a major improvement over the situation that existed in prior years where the Congress received no information. Until the proposed guidelines are approved by the Committees or some other direction given, the Smithsonian should continue to obtain approval of all salaries and expenses reprogramming actions.

We believe also that it is only realistic for the Committees to give the Smithsonian some flexibility in reallocating funds among budget categories and that formal Committee approval should be limited to reprogramming actions above a specified amount and thereby likely to impact on the accomplishment of program goals.

THE CONGRESS NEEDS TO KNOW HOW
SMITHSONIAN PRIVATE FUNDS ARE TO BE USED

The Smithsonian receives private as well as Federal financial support. Because of its dual funding, the Smithsonian has a degree of flexibility not enjoyed by Federal departments and agencies. The Smithsonian is able to undertake programs and acquire facilities with its private funds without prior congressional approval. Also private funds can and are used for the same or similar purposes as appropriated funds.

The committees of the Congress have never requested and are not furnished with information on the planned uses of Smithsonian private funds when considering appropriation requests. However, Congress receives historical information on the uses of Smithsonian private funds. Without complete information on the Smithsonian's financial plans, the Congress does not know in advance the full level of program funding and cannot fully assess the impact of its budgetary decisions on the activities of the Smithsonian. Accordingly, we believe the Smithsonian should provide the Committees on Appropriations with its private funds budget when it submits its appropriation requests.

Classification of private funds

The Smithsonian classifies its private funds as either restricted or unrestricted. Restricted private funds have been designated for specific purposes by the donors.

Unrestricted private funds fall into three categories: (1) general funds, (2) special purpose funds, and (3) auxiliary activities fund. The general funds are those private funds that are not designated for any specific purpose and are expended by the Smithsonian as it deems necessary. The special purpose funds consists of funds, including the net income from certain revenue producing activities, reserved for use by a particular bureau of the Smithsonian in accordance with the wishes of the donor or decisions by Smithsonian management. The auxiliary activities fund consists of funds from various other Smithsonian revenue producing activities and are expended at the discretion of Smithsonian management.

The following schedule shows the source of restricted and unrestricted private funds during the 15-month period ended September 30, 1976.

	Unrestricted				
	<u>Total</u>	<u>General</u>	<u>Auxiliary activities</u>	<u>Special purpose</u>	<u>Restricted</u>
	(000 omitted)				
Investment income	\$ 3,511	\$1,370		\$ 4	\$ 2,137
Gifts	5,918	82			5,498
Net income from revenue producing activities	4,537		a/\$4,537	338	
Concessions and miscellaneous	3,032	1,241		b/1,078	713
Federal research grants and contracts	<u>15,512</u>				<u>c/15,512</u>
Total	<u>\$32,510</u>	<u>\$2,693</u>	<u>\$4,537</u>	<u>\$1,420</u>	<u>\$23,860</u>

a/Includes net income or loss from revenue producing activities, such as Smithsonian Associates and magazine program, museum shops, and product development.

b/Includes income from various revenue producing activities designated by management to be retained for use by the bureaus generating the income, such as restaurant concessions, parking fees, and theater receipts.

c/Grants and contracts from Federal agencies are treated as private funds when received by Smithsonian.

Private funds generated from
revenue producing activities

The Smithsonian engages in a number of auxiliary revenue producing activities, including the sale of books, photos, and other articles; restaurant concessions; parking facilities; and special events for which fees are charged. These private fund activities are carried on by the authority of the Smithsonian Board of Regents in furtherance of its educational mandate.

The following chart summarizes the net income or loss from these auxiliary revenue producing activities for the last 3 fiscal years.

Auxiliary Activities
Net Income or Loss

	Net income or loss (-)		
	<u>Fiscal year 1974</u>	<u>Fiscal year 1975</u>	<u>Fiscal year 1976 (note a)</u>
	----- (000 omitted) -----		
Museum shops	\$ 226	\$ 417	\$ 216
Smithsonian press	-89	-96	-192
Smithsonian associates	1,590	1,968	4,267
Performing arts	104	-79	-119
Product development (note b)	37	218	580
Other (note c)	<u>-98</u>	<u>-120</u>	<u>-215</u>
Total	<u>\$1,770</u>	<u>\$2,308</u>	<u>\$4,537</u>

a/Includes transition quarter.

b/Royalties from the sale by manufacturers of licensed products developed in concert with Smithsonian staff and related to the national collections.

c/Includes Traveling Exhibitions, Belmont Conference Center, Photo Sales, "Commons" Restaurant, Center for Short Lived Phenomena, Special Publications and Television Programs.

Receipts from auxiliary activities are placed in the Smithsonian's general unrestricted private funds and expended at the discretion of Smithsonian management.

Appropriated funds support the Smithsonian's revenue producing activities by paying for such expenses as heat, light, maintenance, repairs, janitorial services and supplies, guard services, and other costs relating to the operation, maintenance, and administration of the Smithsonian Institution buildings and grounds. In a 1972 opinion, we agreed that the Smithsonian could retain the gross receipts as private funds but believed that the books should be maintained in such detail as to show clearly the gross amount of such receipts so that full disclosure could be made to the Congress of the amounts received from these operations.

The Smithsonian provides the Congress with general financial information on auxiliary fund activities in the Secretary's annual report. Little information is provided the Congress by Smithsonian management on activities whose revenues are retained by the bureaus generating the revenues and included in the special purpose private fund. The Treasurer informed us that until recently these revenues were insignificant. Revenues from some of these activities are now substantial, however, and these revenues are used to support activities for which the Congress appropriates funds. For example, in fiscal 1976 and transition quarter receipts from the theater and parking fees at the popular new Air and Space Museum were \$273,000 and \$356,000, respectively. Ninety percent of the parking fees go to the Smithsonian's General Unrestricted Funds and 10 percent to the Museum as compensation for its efforts related to the garage operations.

Policies governing financing decisions

The Smithsonian has no formal policy for determining the purposes for which or circumstances in which Federal or private funds will be used. However, as a general practice appropriated funds are used for constructing, operating, maintaining, restoring, and renovating Smithsonian's buildings; and maintaining the National Collections. Direct expenses of auxiliary activities such as the Associates program and museum shops, are funded from private funds.

In this connection when determining whether an employee will be Federal or private, the decision is generally based on the source

of funding of the bureau where the individual is employed. For example, the Museum of Natural History is predominantly federally funded, and the majority of the employees are on the Federal payroll. In contrast, the Freer Gallery of Art is predominantly supported by private funds and its employees are for the most part, on the private payroll. A mixture of Federal and private employees work in the administrative area and engage in activities relating to both Federal and private funds. Administrative employees often have the option of either being a Federal or private employee.

Even with these general financing policies private funds and appropriated funds are used for the same or similar purposes. Appendix II shows the uses made of both Federal and private funds in fiscal year 1976 and the transition quarter.

The Appropriations Committees receive this type of historical cost information regularly as part of the appropriation process. However, this information is of limited usefulness in making funding decisions for the future. We believe the Committees should receive information on the planned use of private funds for the upcoming year. Without this information the total level of funding by program and activity is not disclosed to the Committees and it cannot accurately assess the impact of its budgetary decisions on the Smithsonian's activities.

CONCLUSIONS

The large stake the Government has in the Smithsonian dictates the need for the Smithsonian to keep the Congress informed on

- reprogramming actions so that the Congress has assurance that funds are spent in accord with its budgetary decisions and
- planned private fund use so that the Congress can accurately assess the full impact its actions have on Smithsonian programs.

The Smithsonian has a long tradition of private financing and independence. The Congress has not reviewed the private funds budget in the past. In our view, the mixture of Federal and private funding in so many Smithsonian activities makes a review of the Smithsonian's Federal budget of and by itself inadequate. Simply stated, there can be no assurance under the present set up that congressional budget actions will have the intended effect.

The long-run answer for the Smithsonian is to establish clear policies on the appropriate use of Federal and private funds and provide the Congress with its private funds forecast when requesting Federal funds. Smithsonian officials expressed a willingness to do this but indicated that the decision would have to come from the Board of Regents.

RECOMMENDATIONS

We recommend that the Secretary:

- Continue to work with the Appropriations Committees to reach a common understanding as to the types of budget reprogramming actions the Committees wish to approve in advance.

We recommend that the Board of Regents:

- Establish, in conjunction with the appropriate congressional committees, clear policies governing the use of Federal and private funds.
- Provide the Appropriations Committees with information on the planned use of private funds at the time appropriation requests are submitted.

AGENCY COMMENTS

The Secretary stated that the Smithsonian fully concurs in the conclusion that the Smithsonian requires some administrative flexibility in reallocating funds among budget categories and with the recommendation that the Smithsonian work with the appropriation subcommittees to arrive at a mutually agreeable understanding as to the reprogramming actions above some amount that the committees would want to approve in advance.

He said the Smithsonian is anxious to continue discussions with the subcommittees to develop guidelines which will provide Congress with the necessary level of control yet offer the Smithsonian some administrative flexibility given the number of line items in the Smithsonian's budget, the more than 2-year period over which any fiscal year's budget is developed and carried out, and the number and variety of needs that arise over this period as the Institution attempts to meet its responsibilities.

Concerning Smithsonian private funds, the Secretary stated that the management of the Smithsonian has been and is willing at all times to furnish fully to the Congress any and all facts, financial or otherwise, about its operations. He recognized that in some areas, notably nonfederal funds expended under the immediate direction of individual bureaus, reporting of additional details may be desirable.

The Secretary also said that providing the Congress budget projections of the Smithsonian's trust fund, as recommended by the GAO, can be furnished with the concurrence of the Smithsonian Board of Regents which approves all such budgets. Such projections, however, should be received by the Congress with the understanding that they do not have the same degree of reliability as, for example, estimates for Federal appropriations, since the projections of trust fund income and expenditures depend in part upon future economic conditions, numerous management decisions, the personal circumstances and decisions of important donors, and a host of other variables which are not predictable with certainty so far in advance.

The Secretary said that the Smithsonian will endeavor to set forth more clearly the policies by which decisions are made on the use of federally appropriated funds and the limited trust funds available to the Board of Regents.

CHAPTER 4

ESTABLISHMENT OF FACILITIES AND THEIR IMPACT ON FEDERAL FUNDING REQUIREMENTS

This chapter provides an overview of four facilities, the Federal and private funds used to support each, and the reasons why the Smithsonian became involved in each facility.

Increased Federal support is the frequent byproduct of new Smithsonian undertakings, whether or not initially launched with private money. The Congress needs to be fully informed of new programs and directions in a timely manner.

COOPER-HEWITT MUSEUM OF DECORATIVE ARTS AND DESIGN

The Cooper-Hewitt Museum of Decorative Arts and Design in New York City is devoted to the study of historical and contemporary design. Its collections currently span 3,000 years and include over 100,000 objects, including textiles, drawings, wallpaper, furniture, jewelry, glass, ceramics, and silver. The Museum has materials devoted to architecture, urban planning, and industrial design.

The collections are supported by a decorative arts and design library encompassing a reference library, a rare book library of about 25,000 volumes, picture archives of over one and one-half million items, and archives on color and light, patterns, materials, symbols, sensory and technological data, interiors, advertising, and typography.

Cooper-Hewitt opened its doors to the public as a Smithsonian museum on October 7, 1976.

From its inception in 1897 as the Cooper Union Museum for the Arts of Decoration, until 1963 the Museum was funded and operated by the Cooper Union for the Advancement of Science and Art, a philanthropic organization. However, in June 1963 the trustees of Cooper Union announced that space and funds needs of their Schools of Art, Architecture, and Engineering had forced them to consider discontinuing the Museum, with the possibility that the collections and reference materials would be dispersed and the Museum as an entity would cease to exist. In July 1963 the trustees closed the Museum to the public.

Soon after the closing, a group of individuals formed the Committee to Save the Cooper Union Museum. The Committee, inquiring why the Museum was being discontinued, was given three reasons by the trustees: (1) there had been a decline in the use of the collections in relation to the school's own educational program, (2) the Museum's location at Cooper Square provided insufficient space and was somewhat remote from New York's museum and gallery center, and (3) the proposed discontinuance would free needed funds that could be used to enhance the other educational programs of the Cooper Union.

In November 1963 the Cooper Union trustees accepted an offer from the American Association of Museums to form an independent committee to seek a solution which would preserve the Museum intact in New York, with space and funds sufficient to permit its revitalization.

The Smithsonian was generally aware of these developments but it was September 1964 before the preservation committees made an inquiry as to whether the Smithsonian might be able to aid the Museum. The Smithsonian informally responded that although the decorative arts were a major concern of the Smithsonian's National Collection of Fine Arts, and the preservation of the Cooper Union Museum might therefore require some affirmative action by the Smithsonian, such action would be discussed only if there were no organization in New York City able and willing to help the Museum continue as an entity.

In January 1965 the Committee to Save the Cooper Union Museum wrote to the Smithsonian Board of Regents explaining that in the 18 months of the Committee's existence it had been unable to find any New York institution, suited and equipped for the responsibility, interested in preserving the Museum as an entity.

Efforts by the American Association of Museum's Committee to find help for the Museum were similarly unsuccessful and it also turned to the Smithsonian as a last possible source of help.

The Smithsonian Regents decided that the preservation of the Cooper Union Museum was a proper Smithsonian concern and in January 1965 authorized negotiations for the transfer of the Museum to the Smithsonian. Acquisition of the Museum was to be conditioned on adequate assurance of sufficient funds from private sources to provide for the continuing operation of the Museum in New York without burden to the public and private resources of the Smithsonian.

Negotiations between the Smithsonian and the Cooper Union lasted until October 1967. An agreement was signed and later validated by the New York State Supreme Court in May 1968. The Smithsonian took control of the Museum on July 1, 1968.

The Cooper Union transferred to the Smithsonian the Museum's collections, library, and endowment funds (estimated at that time to be \$300,000). In addition, Cooper Union agreed to provide the Smithsonian \$100,000 a year for 3 years. The agreement required the Smithsonian to maintain the Museum in New York City, unless it became financially or otherwise impossible. The agreement further provided for a lease arrangement between the Smithsonian and the Cooper Union, whereby the Museum could remain in the original Cooper Union building rent free for 3 years. In addition, the Smithsonian received a pledge of \$200,000 annually for 4 years from the Committee to Save the Cooper Union Museum.

At the time the agreement was signed the Smithsonian's stated policy was that the Museum would be supported by the community of interests which it served in New York and elsewhere. The direct and indirect costs to the Smithsonian would be kept to the minimum necessary to maintain administrative control and policy direction of the Museum's future course.

From July 1968 until its official opening to the general public in October 1976, the Cooper-Hewitt Museum allowed visits by scholars, educational groups, and other organizations on request. The Museum held several in-house exhibitions as well as staging some off-premises events. In addition, it loaned many art objects to other museums, moved the Museum from Cooper Union to the Carnegie Museum, studied and cared for the collections, and developed future programs. The total cost of these activities was \$4.2 million--\$2.9 million in Smithsonian private funds and \$1.3 million from Smithsonian-appropriated funds. The following chart shows the source of funds for Cooper-Hewitt through September 30, 1976. The figures for private funds include gifts, income from endowment funds, and private unrestricted Smithsonian funds.

<u>Fiscal Year</u>	<u>Operating Funds</u>		<u>Special Projects</u>		<u>Bldg. Renovation</u>	
	<u>Appropriated</u> <u>(note a)</u>	<u>Private</u>	<u>Appropriated</u> <u>(note a)</u>	<u>Private</u>	<u>Appropriated</u> <u>(note a)</u>	<u>Private</u>
	----- (thousands) -----					
1969-73	\$ 303.0	\$1,332.9	-	\$254.4	\$ 63.0	\$ 179.4
1974	169.0	190.3	-	71.6	20.0	164.4
1975	253.0	227.8	-	122.9	-	1,123.1
1976 (includes trans- ition quarter)	546.0	347.8	-	369.3	76.0	995.0
Total (through Sept. 30, 1976)	\$1,271.0	\$2,098.8	-	\$818.2	\$159.0	\$2,461.9

a/Includes obligations of other Smithsonian units made on behalf of Cooper-Hewitt, such as libraries and protection services.

Before the Smithsonian Institution signed the agreement to acquire the Museum in October 1967 it had not notified the appropriate congressional committees of its intentions to acquire the Museum. Signing of the agreement was not a sudden or unplanned action. It was preceded by over 2 years of negotiations. Furthermore, the Smithsonian did not notify the Congress even after the signing until an inquiry was made by a Member of Congress.

Smithsonian officials, while agreeing that some formal notice should have been given to the appropriate congressional committees, nonetheless said that there was no attempt to keep the negotiations or the signing of the agreement a secret. They pointed to articles that appeared in the New York Times, one in 1965 which referred to a proposal to transfer the Museum to the Smithsonian, and another in October 1967 which reported the transfer. Before the negotiations were initiated, approval to negotiate was given by the Smithsonian Board of Regents, of which six members are also Members of Congress.

In January 1972, the Carnegie Corporation of New York gave the Andrew Carnegie Mansion and the adjoining Miller House and grounds, comprising the entire block from 90th to 91st Streets on Fifth Avenue, to the Smithsonian to house the Cooper-Hewitt Museum.

Under the terms of the gift, the Smithsonian is free to sell the property if it becomes necessary. In that event, the Smithsonian would be reimbursed for all expenditures it had made on the property, and the remaining funds would be divided equally between the Smithsonian and the Carnegie Corporation. As of September 30, 1976, the Smithsonian had spent approximately \$2.5 million in private funds and \$159,000 in Federal funds in renovating the Carnegie property. About \$235,000 of the private funds were in the form of grants from Federal agencies including \$195,000 for the installation of air conditioning and humidity controls in the Museum.

Renovation of the Carnegie Mansion, which houses the Museum, has been completed. There is no plan to renovate the Miller House which is used as a classroom and study area and to store art objects. According to Smithsonian officials, Federal money will probably be requested for repairs to the two buildings as they become necessary in future years, but there are no plans for such a request through fiscal year 1978.

For fiscal years 1969 through 1971, about \$147,000 in appropriated funds were spent for Cooper-Hewitt. The Smithsonian first explicitly identified funds for Cooper-Hewitt in its

budget for fiscal year 1972, and for fiscal years 1972 through 1975 \$625,000 from the Salaries and Expenses appropriation line items for libraries, plant services, registrar, protection services, and Assistant Secretary for History and Art were used on Cooper-Hewitt. In fiscal year 1976 Cooper-Hewitt was added as a specific line item in the Smithsonian's Salaries and Expenses appropriation budget request. When discussing the use of appropriated funds for Cooper-Hewitt, the Smithsonian stated: "the programs of Cooper-Hewitt should be operated with nonappropriated funds, and appropriated funds should insofar as possible be limited to the protection and preservation of the collections and property."

Appropriated funds for Cooper-Hewitt have increased substantially over the last 3 fiscal years, 1974-76. The need for protection and maintenance services increased as the Museum was readied for its public opening.

Cooper-Hewitt requested Federal appropriations totaling \$616,000 for operations in fiscal year 1977, \$367,000 directly as a budget line item and \$249,000 from other Smithsonian departments, such as Libraries and Protection Services. The fiscal year 1978 budget justification to the Congress included \$377,000 for Cooper-Hewitt operations. Smithsonian officials estimate that \$248,000 will be spent by other Smithsonian units in support of the Museum for a total Federal cost of \$625,000 in 1978.

According to the Assistant Secretary for History and Art, the 1978 budget request for Cooper-Hewitt should be representative of requests for the foreseeable future. He told us there are no plans to increase the number of federally salaried personnel at Cooper-Hewitt or to expand the list of operating expenses which require Federal funds. Acquisition of objects for the collections, exhibitions, and special projects will continue to be financed by private funds.

Smithsonian officials estimate that in fiscal year 1977 Cooper-Hewitt will raise \$699,000 from all sources other than Smithsonian, including \$150,000 in admission fees, \$115,000 from memberships, \$180,000 from benefit receipts, and \$100,000 from classes. These funds will be used to support all the programmatic activities of the Museum, which the Smithsonian estimates will cost \$823,000 in fiscal year 1977. The difference will be raised in special contributions or supplied from Smithsonian private funds.

CHESAPEAKE BAY CENTER
FOR ENVIRONMENTAL STUDIES

In 1962 the Smithsonian was bequeathed a 368-acre tract of land just south of Annapolis, Maryland, known as the Java farm. In 1964, the Secretary of the Smithsonian proposed use of the tract for biological research and education. The proposal was approved by the Smithsonian's Board of Regents and the Center was established in 1965. The Smithsonian purchased adjoining tracts of land with private funds to have an area large enough to be representative of the region and to protect the shoreline of the Rhode River watersheds. As of February 1977 the Center consisted of about 2,600 acres with 14 miles of shoreline on the Rhode River, which flows into the Chesapeake Bay. Of the 2,600 acres, 1,700 are owned by the Smithsonian and the remainder is covered under covenants of restricted uses.

Federal funds were first used to support the Center in fiscal year 1966. The Center first appeared as a separate item in the Smithsonian budget in fiscal year 1974. In prior years the Center had appeared in the line item justification for the Office of Ecology.

The Smithsonian is a member of the Chesapeake Research Consortium, formed to define and coordinate research contributing to the better management of the Bay's environmental system. Other members of the consortium are The Johns Hopkins University, the University of Maryland, and the Virginia Institute of Marine Science.

According to the director of the Center the major research currently financed with Smithsonian appropriated funds is a study of how the Rhode River estuary works and interacts with its watershed. The director stated that the continuous monitoring of the flow, content, and properties of the estuary's water has intrinsic value, because it provides a framework from which various applied research projects can evolve.

Appropriated funds are also used to manage the Center and to support and maintain the facilities. Much of the research is carried out under grants and contracts from other Government and private agencies.

In October 1976 there were 19 research projects underway, 15 of which were funded by Smithsonian private funds, Federal agencies, or private organizations. Four were funded with money appropriated to the Smithsonian. The research performed at the Center is discussed further in chapter 5.

The source of funds and costs to operate the Center are shown on the following page.

CHESAPEAKE BAY CENTER FOR
ENVIRONMENTAL STUDIES

<u>Object class</u>	<u>Fiscal year 1974</u>			<u>Fiscal year 1975</u>			<u>Fiscal year 1976</u>		
	<u>Appro-</u> <u>priated</u> <u>funds</u>	<u>Federal</u> <u>research</u> <u>grants</u>	<u>Private</u> <u>funds</u>	<u>Appro-</u> <u>priated</u> <u>funds</u>	<u>Federal</u> <u>research</u> <u>grants</u>	<u>Private</u> <u>funds</u>	<u>Appro-</u> <u>priated</u> <u>funds</u>	<u>Federal</u> <u>research</u> <u>grants</u>	<u>Private</u> <u>funds</u>
Salaries and benefits	\$250,800	\$203,700	\$26,600	\$323,200	\$143,800	\$40,500	\$392,900	\$104,800	\$34,500
Travel	6,600	9,400	4,300	5,500	3,500	300	6,900	2,800	-
Transportation of things	-	300	-	-	-	-	500	1,400	-
Rent, communications, utilities	22,000	600	-	37,200	-	-	40,900	1,900	600
Printing	800	500	-	900	400	2,100	1,600	800	-
Other services	66,700	82,700	22,900	47,200	45,000	12,800	62,900	8,600	10,900
Supplies and materials	6,700	22,300	700	35,700	15,600	1,500	50,000	40,000	3,200
Equipment	20,900	52,700	600	28,600	39,000	-	41,000	35,700	-
Construction (Education Building)	-	-	24,400	-	-	176,800	-	-	1,300
Total	<u>\$374,500</u>	<u>\$372,200</u>	<u>\$79,500</u>	<u>\$478,300</u>	<u>\$247,300</u>	<u>\$234,000</u>	<u>\$596,700</u>	<u>\$196,000</u>	<u>\$50,500</u>

CONSERVATION AND RESEARCH CENTER

The Conservation and Research Center in Front Royal, Virginia, is a rural annex of the Smithsonian's National Zoological Park. The Center is used for breeding endangered wildlife species and for associated conservation and research efforts. The Center is located on a 3,150-acre site.

Before becoming part of the Smithsonian, the Front Royal site was used by the Department of Agriculture for beef cattle research. In 1973 the site was declared excess property by the Department of Agriculture, and in fiscal year 1974 the National Zoo began using the property under a temporary use permit granted by the General Services Administration. The property was officially transferred to the Smithsonian Institution in July 1975.-

The National Zoo has been searching for a breeding farm site for about 14 years. Possible site locations in Maryland and Virginia had been considered, but the Front Royal site was determined to be superior because of its size, location, and facilities. The facilities include 19 residences, a conference center, an administration building, several animal barns, a commissary, various workshops, and miscellaneous sheds and storerooms. It should be noted that the Appropriations Committees were kept informed of the Smithsonian's intentions to acquire a breeding farm.

According to the Director of the National Zoo, catching wild animals to replace animals that either die or are unable to adapt to zoo conditions is difficult because of declining wild animal populations, legal restrictions against obtaining some species from the wild, and the prohibitive price of many species. He stated that the National Zoo did not have enough space to keep adequate numbers of many species to build breeding herds, but the Center has the space required for successful breeding of many wildlife species that are difficult to breed under normal zoo conditions.

The Center's breeding herds have been formed through cooperative arrangements with several zoos which share the offspring. The Center's animal population has grown from 25 in 1974 to 96 in 1976.

The Center is administered by a curator-in-charge, two conservation project officers, an administrative assistant, and a secretary. The Center has 22 full-time employees. Five temporary employees are hired to harvest grass, hay, and alfalfa during the spring and summer. The Center's staff increased from 4 in 1974 to 22 in 1976.

The Center's funding since its inception is shown in the following table.

	Fiscal years		
	1974	1975	1976 and transition quarter
	(thousands)		
Operating funds:			
Federal appropriation	\$80	\$276	\$ 473
Private funds	-	20	68
	<u>\$80</u>	<u>\$296</u>	<u>\$ 541</u>
Repairs, renovation and construction (Federal) (note a)	-	125	1,110
	<u>\$80</u>	<u>\$421</u>	<u>\$1,651</u>

a/No private funds have been expended for these purposes.

The funds for renovation and construction were used to install fencing, to renovate several buildings, to convert the granary to a commissary, and to make minor repairs to barns. In fiscal year 1977 it is estimated that Federal funds of approximately \$440,000 will be required to operate the Center.

Master planning for the Conservation and Research Center is scheduled to be completed by mid-1977. Preliminary estimates indicate that renovation and construction at Front Royal will cost \$10 million over the next 10 years. The bulk of the \$10 million will go toward preparing the site for animals. However, a \$2 million visitor and education center is planned. The public does not now have access to the Center; opening it to the public would require additional facilities, such as parking lots, restrooms, and a visitor transportation system. A visitor center would require additional staffing and operating funds.

SMITHSONIAN TROPICAL RESEARCH INSTITUTE

The Smithsonian Tropical Research Institute is a bureau of the Smithsonian Institution devoted to promoting research, education, and conservation in the tropical zones of the world. The Institute is headquartered in the Panama Canal Zone where it maintains a number of facilities including the biological reserve and field station on Barro Colorado Island.

In 1923 the Governor of the Panama Canal Zone designated Barro Colorado Island as a reserve and delegated its supervision to the Institute for Research in Tropical America, an agency of the National Research Council. Until 1940 the Island was supported by a number of biologists and their universities. It became apparent at this time that the Island was becoming a major center for tropical research.

To keep the Barro Colorado Island as a center for tropical research, the Congress passed legislation placing the Island and its research activities under the U.S. Government. This act (20 U.S.C. 79b) established the Canal Zone Biological Area as an independent governmental entity with its own board of trustees. In July 1946 the Island was transferred to the Smithsonian Institution as one of its bureaus to be the principal tropical basic research center in the Western Hemisphere. The Smithsonian Tropical Research Institute was created by the Smithsonian in April 1966. The Institute includes the Barro Colorado Island, and certain marine laboratories on both the Atlantic and Pacific coasts.

The funds to operate the Institute come from appropriated funds, donations from individuals, universities, and foundations, and fees from visiting scientists. Financial support is derived also from research grants and contracts from Federal agencies and private firms. The following chart shows the cost of operating the Institute for the last 3 fiscal years.

SMITHSONIAN TROPICAL RESEARCH INSTITUTE
COST SUMMARY

<u>Object class</u>	<u>Fiscal year 1974</u>			<u>Fiscal year 1975</u>			<u>Fiscal year 1976</u>		
	<u>Appropriated funds</u>	<u>Federal research grants</u>	<u>Private funds</u>	<u>Appropriated funds</u>	<u>Federal research grants</u>	<u>Private funds</u>	<u>Appropriated funds</u>	<u>Federal research grants</u>	<u>Private funds</u>
Salaries and benefits \$	795,478	\$69,534	\$ -	\$ 943,607	\$39,954	\$ 330	\$1,064,969	\$52,698	\$ 8,587
Travel	38,916	-	3,794	40,186	-	10,996	50,748	-	15,954
Transportation of things	6,807	-	55	6,666	-	380	7,972	-	15
Rent, communications, and utilities	42,814	-	-	63,110	-	20	74,426	-	34
Miscellaneous	1,884	412	5,791	8,157	5,170	8,685	6,216	389	14,077
Other services	66,945	996	16,055	123,815	1,145	25,457	107,154	528	18,732
Supplies and materials	103,951	3,556	1,597	115,661	1,648	2,968	182,615	1,341	2,520
Equipment	27,751	-	7,296	49,829	-	9,502	45,222	-	11,513
Total	<u>\$1,084,546</u>	<u>\$74,498</u>	<u>\$34,588</u>	<u>\$1,351,031</u>	<u>\$47,917</u>	<u>\$58,338</u>	<u>\$1,539,322</u>	<u>\$54,956</u>	<u>\$71,432</u>

CONCLUSIONS

The scope of the Smithsonian's activities has grown and will continue to grow. This is entirely consistent with the Smithsonian's mandate to increase knowledge among men. However, a byproduct of new undertakings by the Smithsonian is growth in the amount of Federal support required.

In our view the fact that the Smithsonian has private funds with which it can launch new programs should not be viewed as justification for less than full and timely disclosure of new programs to the Congress. The Government has too large a stake in the Smithsonian for it to be otherwise.

AGENCY COMMENTS

The Secretary stated that the Smithsonian completely respects the congressional need to be promptly informed of Smithsonian plans that might involve substantial new Federal expenditures. He agreed that more comprehensive and timely communication with the appropriate congressional committees is essential and that this will be done.

CHAPTER 5

OTHER MATTERS

The Committee requested information on several other matters. Each is discussed separately below.

MUSEUM SUPPORT FACILITY

The museum support facility is a proposed complex of buildings to be constructed in Silver Hill, Maryland. The facility would be constructed in several phases over a period of years. When completed it would provide approximately 1.9 million square feet of space for (1) the expanding national collections, (2) support and maintenance services, and (3) research by and training of conservators. It would permit museum space presently used for storage to be converted to exhibition halls.

The storage problem

The Smithsonian's collections now include well over 70 million objects and specimens, of which only a small percentage is on display while the vast majority is in storage. According to Smithsonian officials, collections are growing at a rate of about one million items annually. Smithsonian officials predict that collections will increase 2 to 5 percent annually.

The Smithsonian stores most of its collections in its various museums. With the growing quantity of collections it has become increasingly difficult to find the space necessary to house collections. The Smithsonian has been storing bulky items, primarily those for the National Air and Space Museum, on a 21-acre site in Silver Hill, which was acquired from the General Services Administration in 1959. Presently there are 27 one-story, prefabricated metal storage buildings on the site. Smithsonian officials said that storing collections in these facilities was inadequate because they lacked humidity and temperature controls essential for conservation purposes.

In fiscal year 1976 the operating costs of the Silver Hill storage facility were about \$1.4 million and a staff of about 69 employees was assigned there. Renovation and construction at Silver Hill cost \$450,722 in fiscal years 1974-76. No private funds were used.

Plans for the new facility

Several years ago the Smithsonian determined that greatly expanded facilities were needed for collection storage and laboratory space. In May 1968 the Regents of the Smithsonian approved the construction of a museum support facility, subject to authorization and appropriation of funds by the Congress. By December 1969 the Smithsonian had developed initial plans for a museum support facility.

Over the last few years the Smithsonian, with the help of consultant studies, developed further plans for the facility, including site selection, analysis of space requirements, definition of growth rates, and advance planning and design for the first phase.

A consultant's study estimated that the first phase would cost about \$40 million for a building of 545,000 square feet. The design concept provided for storage space in single-story buildings which would provide future expansion by use of relatively inexpensive double decking. It also provided for office and research space in a multi-story building. The buildings were designed to allow for reasonable flexibility and to satisfy the Museum of Natural History's collection requirements through the end of the century. Since 1969 the Smithsonian has spent about \$183,000 in Federal funds for support facility planning.

Public Law 94-98, dated September 19, 1975, authorized the Smithsonian to plan the museum support facility and authorized the appropriation of planning funds. Bills to authorize construction of the facility were introduced during the second session of the 94th Congress, but no action was taken.

In its fiscal year 1977 budget, the Smithsonian requested \$500,000 to begin the design of phase one. The Congress did not approve the design money requested for the support facility in fiscal year 1977. The House Appropriations Subcommittee stated that it fully supported the need for and desirability of the facility, but recommended that the project be delayed because of the project's large future year costs. The Senate Appropriations Subcommittee suggested that the project be reexamined by the Smithsonian because of the project's high costs.

The Smithsonian scaled down the first phase's original size and cost projections. The Smithsonian is seeking \$325,000 in its fiscal year 1978 budget to develop specifications to begin the design for a first phase building estimated to cost about \$21 million. The scaled down version is estimated to cost about one-half the original proposal and has reduced the area from 545,000 square feet to 338,000 square feet. The Smithsonian anticipates that the facility will meet the Institution's most urgent space needs through 1986, whereas the earlier more ambitious plans were estimated to satisfy space requirements to the year 2,000.

Sixty-one acres of land adjacent to the Silver Hill storage facility have been transferred by the General Services Administration to the Smithsonian, which is trying to acquire an additional 21 acres to be part of the museum support facility site.

Related to the need for a museum support facility is a collections policy and management study now underway. The study, requested by the Office of Management and Budget, is assessing the effectiveness of the Smithsonian's collection management policies and practices and providing a projection of future space needs. The Smithsonian has never performed a comprehensive study of its collections practices in relation to long-range planning and the study should provide information pertinent to future space requirements in the museum support facility. The study is being conducted by Smithsonian personnel and it is estimated that will be completed in the fall of 1977.

CONCLUSION

The first phase of the museum support facility is designed to meet what the Smithsonian believes are its most pressing needs--those of the Museum of Natural History. The original proposal for a \$40 million complex was expected to satisfy the Museum's storage needs through the end of the century. The Smithsonian's latest proposal for a \$21 million facility is estimated to satisfy the Museum of Natural History's needs only through 1986, a few years after construction is completed.

Under its present collections acquisition and disposal policies and practices, the Smithsonian is continuously adding to its collections inventory and its storage needs will inevitably grow.

The thorough review of the Smithsonian's collections policies now underway is an essential first step in projecting future storage requirements. It should provide valuable information and serve as a guide for effective collections management by the Smithsonian.

SMITHSONIAN'S EXPANDING RESEARCH ROLE

The Committee was concerned that some of the Smithsonian's research efforts might duplicate other Federal research.

Since its establishment, the Smithsonian Institution has been involved in various types of research activities. Scientific research at the Smithsonian covers a broad spectrum from research pertaining to animal behavior to the study of outer space.

The Smithsonian's research role has grown as shown by the types of research installations located in this country and abroad.

- The Chesapeake Bay Center for Environmental Studies, near Annapolis, Maryland, was established to advance man's knowledge of his environment. Its primary purpose is to contribute to the rational use of land and water resources through research, educational programs, and the dissemination of information.
- The Tropical Research Institute in Panama is a research organization devoted to advanced studies and support of tropical biology, education, and conservation.
- The Fort Pierce Bureau, located at Link Port between Fort Pierce and Vero Beach, Florida, carries out research in marine biology and geology.
- The Conservation and Research Center located in Front Royal, Virginia, conducts research relating to the study of the reproductive behavior and biology of rare and endangered animals.
- The Radiation Biology Laboratory, located in Rockville, Maryland, studies the effects of sunlight on living

things. Its scientists are interested in how and why plants respond to the different quantities and qualities of radiant energy.

--The Astrophysical Observatory, located in Cambridge, Massachusetts, has a number of research projects underway pertaining to the study of outer space. The Mount Hopkins Observatory in Arizona is an adjunct of the Astrophysical Observatory.

Research is also carried on at various Smithsonian museums. For example, The Center for the Study of Man, located in the Natural History Museum, coordinates a worldwide program of interdisciplinary studies in the human sciences.

The Smithsonian contends that it concentrates in the area of basic research which does not conflict with research performed by mission-oriented Federal agencies. We obtained listings of all ongoing research projects and discussed the problems of duplication with the directors of the Smithsonian Tropical Research Institute and the Chesapeake Bay Center for Environmental Studies.

At the Chesapeake Bay facility most of the research projects were sponsored and paid for by other Federal agencies which have the prime responsibility for insuring that the research is worthwhile. None of the projects sponsored and paid for by the Smithsonian seemed to duplicate the projects of the other Federal agencies.

The Director advised us that the major research currently financed with Smithsonian-appropriated funds is a study of how the Rhode River estuary works and interacts with its watershed. The Director stated that this work does not duplicate any research being done by others. In this regard, the Smithsonian is a member of the Chesapeake Research Consortium, formed to define and coordinate research contributing to the better management of the Bay's environmental system. Other members of the consortium are The Johns Hopkins University, the University of Maryland, and the Virginia Institute of Marine Science.

According to the Director of the Chesapeake Center, every proposed research project supported with Smithsonian funds must go through a review process before it is approved. It was explained that this process screens proposed research projects for possible duplication of research. Each proposed research project is reviewed by the Director and Associate Director for Scientific Programs for scientific quality and possible duplication. In addition, we were informed that many of the proposed research projects are sent to the Smithsonian Science Information Exchange to assure that there is no duplication.

As of October 1976 there were 34 research projects in process at the Smithsonian Tropical Research Institute, 19 of which were funded with Smithsonian-appropriated funds at a cost of \$568,906. The remaining 15 research projects, costing approximately \$190,000, were either funded by private organizations or Federal agencies.

The Director stated that duplication of research is very unlikely because there are no Federal agencies engaged in basic tropical biology research. In addition, the Assistant Director informed us that duplication is unlikely because there are few scientists doing tropical research. For projects to be funded by the Institute, the Director reviews the proposed projects to determine whether there may be duplication. This determination is made on the basis of correspondence received from other researchers describing their projects, and information which is on record with the Science Information Exchange.

TRAVEL BY SMITHSONIAN OFFICIALS

At the request of the Committee, we obtained information on the travel for the last 3 fiscal years of the Secretary, the Under Secretary, and Assistant Secretaries.

The Smithsonian's travel regulations conform to the Federal Travel Regulations and apply to travel financed by both private and Federal funds.

We noted that the Smithsonian's general practice is to charge travel expenses to Federal funds if the employee is on the Federal payroll and to private funds if he is on the private payroll. The Secretary, a private employee, used private funds for travel expenses except for one foreign trip made in each of the last 3 fiscal years on research projects which were charged to appropriated excess foreign currencies. Appendix III contains a summary of travel for the last 3 fiscal years for the positions of Assistant Secretary and above. All of the officials shown are on the Federal payroll except the Secretary.

The summary shows that the Secretary was in a travel status 147 days in fiscal year 1974, 89 days in fiscal year 1975, and 125 days in fiscal year 1976 and the transition quarter.

The Smithsonian provided us with a memorandum (see app. IV) explaining the role of the Secretary. In addition to describing his responsibilities, it refers to purposes for which travel is necessary, such as:

- (1) He is responsible for executive direction of bureaus and centers of the Institution which are located in various parts of the United States and abroad.
- (2) He serves on scientific and other research committees of the Nation as well as internationally.
- (3) He participates in programs and activities throughout the United States in connection with raising private funds and attends official functions here and abroad as the representative of the Smithsonian.
- (4) Traditionally, he has been expected to write and publish scholarly papers, often requiring field work in foreign countries.

The Smithsonian also stated that

"* * * the Secretary has exercised continuing responsibility for carrying out the duties of his office even during periods of absence from his office. His responsibilities frequently involve meetings and discussions outside of office hours both here and abroad. The Secretary has a staff of principal assistants who are organized for advice and assistance in the effective execution of the Institution's broad programs, with guidance from the Secretary."

They said that Litchfield, Connecticut

"* * * is a regular place of duty for the Secretary, as arranged with the Board of Regents, where he maintains a residence, office, library, and waterfowl preserve. While there, he conducts research, writes official reports, receives and sends official correspondence, receives official visitors, and maintains daily contact with the Washington office by telephone and exchange of correspondence."

JOHN L. MCCLELLAN, ARK., CHAIRMAN

WARREN G. MAGNUSON, WASH.
 JOHN C. STENNIS, MISS.
 JOHN O. PASTORE, R.I.
 ROBERT C. BYRD, W. VA.
 GALE W. MCCOY, WYO.
 MIKE MANSFIELD, MONT.
 WILLIAM PROXMIRE, WIS.
 JOSEPH M. MONTOYA, N. MEX.
 DANIEL K. INOUE, HAWAII
 ERNEST F. HOLLINGS, S.C.
 BIRCH BAYH, IND.
 THOMAS F. EAGLETON, MO.
 LAWTON CHILES, FLA.
 J. BENNETT JOHNSTON, LA.
 WALTER D. HUDDLESTON, KY.

MILTON R. YOUNG, N. DAK.
 ROMAN L. HRUSKA, NEBR.
 CLIFFORD P. CASE, N.J.
 HIRAM L. FONG, HAWAII
 EDWARD W. BROOKE, MASS.
 MARK O. HATFIELD, OREG.
 TED STEVENS, ALASKA
 CHARLES McC. MATHIAS, JR., MD.
 RICHARD S. SCHWEIKER, PA.
 HENRY BELLMON, OKLA.

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

JAMES R. CALLOWAY
 CHIEF COUNSEL AND STAFF DIRECTOR

June 14, 1976

The Honorable Elmer B. Staats
 Comptroller General of the
 United States
 Washington, D. C. 25048

Dear Mr. Staats:

The Committee, in conducting annual budget hearings and developing appropriation recommendations has experienced a growing concern over the management and accountability of Federal funds made available to the Smithsonian Institution. We wish to request a general review by your office of Smithsonian fiscal practices and policies with the specific objective of determining whether these funds are effectively and properly utilized for the purposes for which they were appropriated.

This request in no way should be construed to imply any suspicion of wrongdoing or deliberate impropriety. Because of its unique status, however, the Smithsonian has not undergone the usual Federal reviews and examinations accorded most government agencies. This can be attributed in part to the fact that the Smithsonian is governed by a Board of Regents comprised, among others, of the Chief Justice and Members of Congress. Further, private support for the Institution was once a more dominant factor, leading to a tradition of independence.

Recent testimony has determined that Federal support in the form of appropriations and grants now accounts for about 90 percent of the Institution's funding. Certainly the Smithsonian should be as accountable to the Congress as any other Federal agency or organization.

Without limiting the scope of the GAO review of the Smithsonian's fiscal policies and practices, we wish to direct your attention to an internal funding account disclosed during the Committee's March 23, 1976, budget hearings. This account has been called variously the Secretary's Reserve Fund, the Contingency Fund, and, more recently, the Working Fund. Generally, assessments are made on the allocation of appropriations to various units of the Smithsonian with the monies

-2-

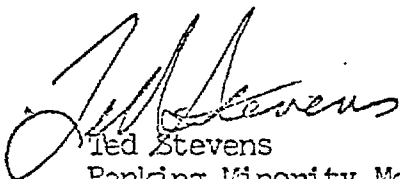
being held for use at Secretary S. Dillon Ripley's discretion for programs or activities. This use is not necessarily associated with the original purpose of the appropriations as allocated in the Committee reports accompanying the appropriation bills. Until this year the precise use of these funds was not reported to the Congress.

The Smithsonian has indicated a willingness to revamp its procedures with respect to this contingency account so that the Committee will be fully informed in the future. A close examination of past practices is needed to help the Committee develop future requirements and recommendations.

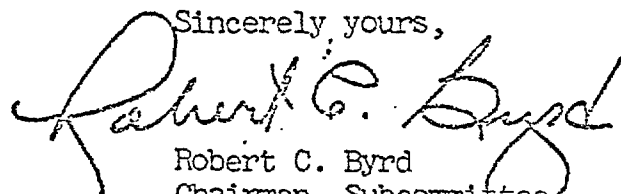
Other matters of specific interest to the Committee include the Smithsonian's travel practices, particularly the reportedly extensive travel of the Secretary here and abroad; plans for construction of a large museum support facility in Maryland; use of the new Front Royal Center in support of the National Zoological Park; the expanding Smithsonian research role, which often appears duplicative and involves such operations as the Tropical Research Center in the Panama Canal Zone and the Chesapeake Bay Environmental Center; the manner in which private funds are used in conjunction with Federal funding; and practices involving the establishment of new units and facilities with private funds that involve an obligation of future Federal support.

In the latter case, the Committee is concerned over the manner in which the Smithsonian established the Cooper-Hewitt Museum in New York City. This new facility now requires Federal support, and we felt there was inadequate prior notice and advance consultation with the Committee.

Mr. Dwight Dyer of the Subcommittee staff can be reached on 224-7262 if any additional information is needed.



Ted Stevens
Ranking Minority Member,
Subcommittee on the
Department of Interior
and Related Agencies

Sincerely yours,


Robert C. Byrd
Chairman, Subcommittee
on the Department of
Interior and Related
Agencies

SMITHSONIAN INSTITUTION
APPLICATION OF SALARY AND EXPENSE FUNDS FOR
FISCAL YEAR 1976 AND THE TRANSITION QUARTER

<u>Detailed budget categories</u>	<u>Federal funds</u>		<u>Private funds</u>	
	<u>Appropriated</u>	<u>Grants & contracts</u>	<u>Unrestricted</u>	<u>Restricted</u>
<u>Science:</u>				
Assistant Secretary for Science	\$ 543,615	\$ 539,685	\$ 27,195	\$ 63,732
National Museum of Natural History	13,162,515	1,189,024	191,537	471,780
Environmental Science Program	252,994	-	-	-
Astrophysical Observatory	4,942,447	8,517,366	72,930	273,670
Tropical Research Institute	1,785,101	729	41,848	38,449
Radiation Biology Lab	2,057,390	116,098	2,898	10,735
Office of International Programs	373,416	31,063	65,365	-
Chesapeake Bay Center	653,495	213,070	57,223	27,036
National Air & Space Museum	6,689,206	176,454	303,300	265,375
Center for the Study of Man	500,490	301,353	13,645	47,929
National Zoological Park	7,802,933	22,192	135,398	43,827
Fort Pierce Bureau	-	-	30	601,170
Interdisciplinary Communications Program	-	1,492,626	23,302	11,988
Research Awards Program	153,566	-	-	-
Science Other	-	7,700	-	-
Subtotal	\$38,917,168	\$12,607,360	\$934,671	\$1,855,691

<u>Detailed budget categories</u>	<u>Federal funds</u>		<u>Private funds</u>	
	<u>Appropriated</u>	<u>Grants & contracts</u>	<u>Unrestricted</u>	<u>Restricted</u>
<u>History and art:</u>				
Assistant Secretary for History and Art	173,939		63,859	-
Joseph Henry Papers	125,142	65,131	-	(3,044)
Office of American Studies	67,896	19,144	-	14,436
National Museum of History and Technology	6,938,550	58,901	207,509	642,702
National Collection of Fine Arts	2,902,271	18,880	180,457	44,348
National Portrait Gallery	2,190,247	100,888	55,546	31,850
Hirshhorn Museum	1,999,198	100	48,275	4,968
Freer Gallery of Art	573,089	47,066	-	1,463,667
Archives of American Art	410,750	-	850	316,546
Cooper-Hewitt Museum	341,777	80,871	322	684,231
American Revolution Bicentennial Programs	5,827,504	-	25,680	-
Office of Academic and Educational Programs	604,808	-	500	13,179
Hillwood	-	-	-	518,803
Woodrow Wilson International Center for Scholars	-	44,038	80,754	654,921
Belmont Conference Center	-	-	318,353	-
History and Art Other	-	1,100	-	-
Subtotal	\$22,155,171	\$ 436,119	\$982,105	\$4,386,607

<u>Detailed budget categories</u>	<u>Federal funds</u>		<u>Private funds</u>	
	<u>Appropriated</u>	<u>Grants & contracts</u>	<u>Unrestricted</u>	<u>Restricted</u>
<u>Public service:</u>				
Assistant Secretary for Public Service	175,273	-	14,944	-
Anacostia Neighborhood Museum	667,393	(2,821)	34,107	68,287
International Exchange Service	216,012	-	-	-
Division of Performing Arts	1,518,555	1,776,713	1,197,057	1,782,616
Office of Public Affairs	485,157	-	207,139	-
Smithsonian Institution Press	811,707	-	503,518	8,882
Office of Symposia and Seminars	66,150	3,738	290	43,258
Office of Elementary and Secondary Education	133,186	-	308	20,158
Mail Order Department	-	-	85,399	-
Smithsonian Magazine	-	-	16,344,945	-
Smithsonian Resident Associates	-	-	1,684,227	-
Museum Shops	-	-	5,016,193	-
Office of Membership and Development	-	-	2,503,511	130
Subtotal	\$4,073,433	\$1,777,630	\$27,591,638	\$1,923,331

<u>Detailed budget categories</u>	<u>Federal funds</u>		<u>Private funds</u>	
	<u>Appropriated</u>	<u>Grants & contracts</u>	<u>Unrestricted</u>	<u>Restricted</u>
<u>Museum programs:</u>				
Assistant Secretary for Museum Programs	184,783	24,331	-	-
Office of Museum Programs	276,978	-	11,013	19,727
Office of Building Manage- ment (South Group)	687,506	-	441	-
Office of the Registrar	220,525	-	-	-
Conservation Analytical Lab.	695,361	-	-	-
Smithsonian Institution Libraries	2,399,744	-	637	4,599
Office of Exhibits Central	1,234,857	-	(2,455)	-
Traveling Exhibition Service	155,498	169,306	309,097	38,461
Smithsonian Archives	308,396	-	-	-
National Museum Act Program	976,080	-	-	-
Major Exhibition Programs	247,155	-	-	-
Horticultural Services Division	639,934	-	2,628	-
Other Museum Programs	-	1,300	-	-
Subtotal	\$8,026,817	\$ 194,937	\$ 321,361	\$ 62,787

<u>Detailed budget categories</u>	<u>Federal funds</u>		<u>Private funds</u>	
	<u>Appropriated</u>	<u>Grants & contracts</u>	<u>Unrestricted</u>	<u>Restricted</u>
<u>Administrative and Support Activities:</u>				
Office of the Secretary	200,947	-	154,200	54,997
Secretary's Files	69,218	-	-	-
Office of Special Assistant to the Secretary	107,636	-	1,586,603	3,359
Secretary's Research Lab	40,185	1,618	47,485	45,191
Office of the Under Secretary	309,061	-	8,616	-
Travel Services Office	81,786	-	-	-
Support Activities	201,310	-	25,413	1,756
Office of General Counsel	426,374	-	13,593	-
Office of the Treasurer	1,169,746	-	151,533	11,668
Office of Personnel Administration	887,781	-	-	-
Office of Audits	280,385	-	-	-
Office of Equal Opportunity	217,734	-	-	-
Office of Printing and Photographic Services	1,045,343	-	137,036	-
Office of Supply Service	606,234	-	-	-
Office of Management Analysis	304,734	-	-	-
Office of Protection Services	8,703,940	-	6,676	-
Office of Facilities Planning	859,378	-	-	-
Office of Plant Services	13,963,416	-	19,869	-
Office of Computer Services	761,211	542,076	33,626	250
Reserve Fund				11,576
Subtotal	<u>30,236,419</u>	<u>543,694</u>	<u>2,184,650</u>	<u>128,797</u>
Total	<u>\$103,409,008</u>	<u>\$15,559,740</u>	<u>\$32,014,425</u>	<u>\$8,357,213</u>

SMITHSONIAN INSTITUTION
SUMMARY OF TRAVEL FOR ASSISTANT SECRETARY'S
AND ABOVE FOR FISCAL YEARS 1974, 1975, 1976 AND TRANSITION QUARTER

Traveler	No. of Trips	Fiscal year 1974		Type of funds used	
		Full working days on official travel (note d)	Full working days and nonworking days on official travel (note e)	Federal	Private
Secretary (note f)	40	103	c/147	a/\$ 4,377	\$ 8,306
Under Secretary	12	26	41	2,720	527
Assistant Secretary for Science	18	33	45	3,295	1,310
Assistant Secretary for History & Art	16	21	29	2,173	-
Assistant Secretary for Museum Programs	17	48	65	b/ 6,518	-
Assistant Secretary for Public Service	5	25	33	2,157	-
Assistant Secretary for Administration	---	---	---	---	---
Total Assistant Secretary & above	108	256	360	\$21,240	\$10,143

a/Federal funds are appropriated excess foreign currency.

b/Federal funds consist of both appropriated excess foreign currency and salaries and expenses operating funds.

c/Due to illness while traveling abroad an additional 30 days was required for medical care and slow journey home.

d/Based on 5-day week, Monday-Friday; excludes travel commencing after 4:00 p.m. or terminating prior to 10:00 a.m.

e/Based on 7-day week, Monday-Sunday.

f/The Secretary's travel does not include time spent at Litchfield, Connecticut, as follows: 1974, 75 days; 1975, 89 days; and 1976, 130 days.

Fiscal year 1975					
	No. of trips	Full working days on official travel	Full working days and nonworking days on official travel	Type of funds used	
				Federal	Private
Secretary (note f)	31	66	89	\$ 4,710	\$9,321
Under Secretary	5	6	6	-	434
Assistant Secretary for Science	10	32	45	b/2,763	-
Assistant Secretary for History & Art	15	36	55	1,971	-
Assistant Secretary for Museum Programs	16	37	60	4,036	-
Assistant Secretary for Public Service	10	27	35	1,914	-
Assistant Secretary for Administration	-	-	-	-	-
Tota Assistant Secretary & above	87	204	290	\$15,394	\$9,755

Fiscal year 1976 and transition quarter (15 months)					
	No. of Trips	Full working days on official travel	Full working days and nonworking days on official travel	Type of funds used Federal	Private
Secretary (note f)	48	90	125	a/\$ 2,644	\$25,400
Under Secretary	1	4	4	-	669
Assistant Secretary for Science	10	45	62	3,175	702
Assistant Secretary for History & Art	22	45	56	b/3,067	1,774
Assistant Secretary for Museum Programs	21	66	89	8,733	-
Assistant Secretary for Public Service	7	50	66	2,093	-
Assistant Secretary for Administration	2	2	2	175	-
64 Total Assistant Secretary & above	111	302	404	\$19,887	\$28,545

The Role of the Secretary of the Smithsonian Institution

The Secretary of the Smithsonian Institution is by law also the Secretary of the Board of Regents. He is elected by the Board of Regents and is paid from non-Federal funds.

The founding act provides that the Secretary shall be in charge of the buildings and property of the Institution, shall record the proceedings of the Board of Regents, shall perform the duties of librarian and of keeper of the museum, and may with the consent of the Board of Regents employ assistants.

The Smithsonian was explicitly established as a charitable non-profit corporation to carry out the trust responsibilities of the United States independent of the Government itself. It receives the support and assistance of each of the branches of the Government without becoming a part thereof. The acceptance by the Institution of increasing amounts of directly appropriated funds has not changed the basic independent authority of the Board of Regents.

Provision was made in the formal creation of the Smithsonian for programs in the areas of concern that have since occupied the Institution through succeeding generations -- art, science, history, research, museum and library operations, publications and lectures, and exhibitions in museums and art galleries.

The Secretary is responsible to the Board of Regents for all of his activities and serves as Secretary of the Board of Regents as well as of the Executive Committee, the Permanent Committee, and the Investment Policy Committee.

Administratively, the Secretary is responsible for the formulation and execution of programs, legislative proposals, budgetary proposals, their justification and execution. This includes direct participation in the consideration of fiduciary affairs, the portfolio management of the funds of the Institution; recruitment for and appointments to principal professional and administrative positions; program planning and the determination of objectives of Smithsonian activities; review and approval of the exhibition and educational programs; participation in the deliberations of numerous committees, both Federal and non-Federal; providing information to the public through publications and other media; and representing the interests and responsibilities of the Institution before the Congress, the Executive Branch, the public, learned societies, educational institutions, scientific organizations, and other bodies international and domestic.

Traditionally, in connection with scientific and other research programs, the Secretary of the Institution has served as an office holder, member of committees, or administrative adjunct to many of the senior learned societies of the Nation as well

as internationally. For example, the Secretary is a member of the National Academy of Sciences, a Trustee of the Kennedy Center, a Trustee of the National Gallery of Art, Chairman of the World Wildlife Fund U.S. Appeal, and President of the International Council for Bird Preservation. A number of related activities include the Harvard University Visiting Committees in special fields such as zoology or astronomy and astrophysics on which the Secretary has served for nearly 15 years; the consortia involving activities in the Panama Canal Zone (first undertaken with Carnegie Corporation, Harvard University, and the American Museum of Natural History in the 1930's) or with allied institutions conducting astronomical research in South America or in observatories within the United States. Other memberships of the Secretary on boards, commissions and committees are set forth in the attached appendix.

Of particular significance in addition to the traditional responsibilities of the Secretary is that he also serves in a promotional and representational capacity on behalf of the Institution. This involves a constituency of approximately 1,000,000 Associate members, and requires visits to cities around the United States, lecturing, holding meetings, and otherwise participating in programs in connection with raising private funds and seeking support for the Institution.

Throughout the history of the Institution the Secretary has been responsible for the day-to-day operations of a scientific nature related to fields of research in which the Secretary is a specialist.

All eight Secretaries have been distinguished men in science and each has pursued his scientific career after becoming Secretary. Joseph Henry was a physicist; Spencer Fullerton Baird, a naturalist; Samuel Pierpont Langley, a physicist of astronomy and aeronautics; Charles Doolittle Walcott, a geologist; Charles Greeley Abbot, an astrophysicist; Leonard Carmichael, a physiological psychologist; and S. Dillon Ripley, an ecologist and an ornithologist.

The Secretary has traditionally been expected to write and publish scientific papers, books, and other material of a scholarly nature. It is difficult in recent years, with the volume of work of the Institution, to have such field work occupy prolonged periods of time, but as recently as the 1950's such research was undertaken for several months at a time in areas such as Panama or Peru.

At such times, however, the day-to-day administrative work of the Secretary is designated to an Acting Secretary, who has so been designated by the Chancellor as provided for in the Act of May 13, 1884.

The Secretary has assembled a staff of principal assistants, known as the Secretary's Executive Committee, who are organized

for advice and assistance in the effective execution of the Institution's broad programs. These are Assistant Secretaries in the fields of Science, History and Art, Museum Programs, Public Service, and Administration, a Treasurer, a General Counsel, and an Executive Assistant. The support and staff services required to provide administrative and specialized support are also well established and are under a Director of Support Activities.

The Secretary has continuing responsibility for carrying out the duties of his office even during periods of physical absence from his office; his decisions on a variety of matters are based on public contacts outside official hours and away from his official post of duty; he has freedom for self-supervision and responsibility; and he is not under the provisions of the annual and sick leave act.

Conseil International de la Chasse, Honorary Member

Cooper Ornithological Society

Cornell Laboratory of Ornithology

International Council for Bird Preservation, President

International Wild Waterfowl Association, Director

Ornithological Society of New Zealand

Pacific Tropical Botanical Gardens, Emeritus Trustee

Société Ornithologique de France, Honorary Fellow

South African Ornithological Society, Corresponding Member

Wildlife Preservation Trust International

World Wildlife Fund, Board of Directors
Chairman, U. S. Appeal

Zoological Society of India, Honorary Fellow

MEMBERSHIPS OF MR. S. DILLON RIPLEY ON BOARDS, COMMISSIONS AND COMMITTEES

Government

Advisory Council on Historic Preservation (Dept. Interior)

American Folklife Center

Federal Council on the Arts and Humanities

National Council on the Arts

National Council on the Humanities

Federal Council for Science and Technology

Inter-Agency Committee on Marine Science and Engineering

Institute of Museum Services, Governing Board (HEW)

Supreme Court Historical Society, Advisory Board

White House, Committee for the Preservation of

White House Historical Association, Board of Directors

Smithsonian

Archives of American Art, Trustee

Cooper-Hewitt Museum of Decorative Arts and Design, Advisory Board

Freer Gallery of Art, Visiting Committee

Joseph H. Hirshhorn Museum and Sculpture Garden, Trustee
Nominating Committee

J. F. Kennedy Center for the Performing Arts, Trustee

Executive Committee, Nominating Committee, Fine Arts Committee

National Air and Space Museum Advisory Board

National Armed Forces Museum Advisory Board

National Board of the Smithsonian Associates

National Collection of Fine Arts Commission

National Gallery of Art, Trustee

Executive Committee, Finance Committee

National Portrait Gallery Commission

Reading is FUNdamental, National Advisory Board

Executive Board

Board of Regents and Executive Committee

Smithsonian Astrophysical Observatory, Visiting Committee

Smithsonian Council

Smithsonian Research Foundation

Smithsonian Science Information Exchange, Inc.

Woodrow Wilson International Center for Scholars, Trustee

Washington

African Art, Museum of (Honorary Trustee)

American Security and Trust Company, Board of Trustees

Trust and Investment Committee

America-Nepal Society

American Association for the Advancement of Science

Cairitz Foundation, The Morris and Gwendolyn, Advisory Board

Federal City Council

George Washington University, Board of Trustees

Standing Committee on Academic Affairs

National Academy of Sciences

National Society of Arts and Letters, Advisory Council

Naval Historical Foundation, Honorary Vice President

Pennsylvania Avenue Development Corporation, Board of Directors

Philosophical Society of Washington

Pioneer Foundation, Board of Directors

United States Capitol Historical Society, Honorary Board of Trustees

Washington Institute of Foreign Affairs

Miscellaneous

American Academy in Rome

American Association of Museums

American Institute of Architects, Honorary Member

American Institute of Biological Sciences

American Museum in Britain, Member of Council

Arts Council of Great Britain, Committee of Honor

Association of Science Museum Directors, Member

Foreign Relations, Member of Council on

Forman School, Trustee

French Institute, Alliance Francaise, Honorary Trustee

Harvard Board of Overseers, Committee to Visit Department of Comparative
Zoology

International Congress of Systematic and Evolutionary Biology

International Council of Museums, U. S. National Committee

Charles Lindbergh Memorial Fund, Honorary Co-Chairman

Museum of Fine Arts, Boston, Visitor to Department of Egypt and Ancient Near
Eastern Art

National Institute for Performing Arts of India (Bombay), Member of Advisory Bd.

Pilgrims of the United States

National Book Committee

New York Academy of Sciences

New York Zoological Society

Research Corporation, Director

Royal Oak Foundation, Trustee

Society of the Cincinnati of the State of Connecticut, Honorary Member

Society for the Study of Evolution

Society of Systematic Zoology

Systematic Collections, Member of the Conference of Directors

Wedge Entomological Research Foundation, Patron

White Memorial Foundation, Trustee

Who's Who in America, Board of Advisors

Winterthur Museum, The Henry Francis duPont, Trustee

Yale University

Jonathan Edwards College Fellow, Peabody Museum Associates

Yale University Library

Honorary Curator, Coe Collection, Ornithological Books

Conservation and Ornithology

American Ornithologists Union

Asociacion Ornitológica de la Plata, Honorary Fellow

Bombay Natural History Society, Life Fellow

British Ornithologists Union

Charles Darwin Foundation for the Galapagos Isles, Executive Committee



SMITHSONIAN INSTITUTION

Washington, D. C. 20560
U.S.A.

March 21, 1977

Mr. Victor L. Lowe
Director, General Government Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Lowe:

Fundamental to any analysis of the specific Smithsonian operations to which your report is directed is a clear understanding of the unique charter and functions of the Institution. The following "Outline of the Origin and Development of the Smithsonian Institution" will, I believe, explain the nature of the Institution, clarify the responsibilities of the Board of Regents and the Congress for its welfare, and detail the significance of both private and federal support in its achievements since its origin in 1836 with the acceptance of the private bequest from Mr. Smithson. This will provide the essential context for the specific comments which follow.

Fifty years ago Chief Justice Taft, speaking as Chancellor of the Smithsonian Board of Regents, observed that:

" . . . many people suppose this private research establishment to be a part of the Government. . . . I must make clear, gentlemen, that the Smithsonian Institution is not, and has never been considered a government bureau. It is a private institution under the guardianship of the Government."

This characterization of the Smithsonian and its relationship to the Government refers to the legal foundations of the Institution in the will of James Smithson and the Act of July 1, 1836, which accepted the bequest.

Smithson, in bequeathing the whole of his property "to the United States of America, to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men," created a charitable trust under the terms of which the United States would serve as trustee for purposes not limited to the national interest but for the benefit of all mankind. By the Act of

July 1, 1836, Congress accepted the Smithsonian trust on these terms, on behalf of the United States, and pledged the "faith of the United States" to carry out the purposes of the trust. Consonant with its commitment to the trust, Congress has, from the start, supplemented the trust resources with federal funds and property.

This unique combination of a privately-endowed institution, administered by the Board of Regents independent of the Government itself, and the continuing support of the United States, as trustee, in generous fulfillment of its pledge, has made possible the remarkable achievements of the Institution. It has engendered contributions from private donors which were inconceivable in 1836. The great national collections now consist largely of private gifts, and continuing private additions to the Smithsonian's independent trust funds have maintained the Institution's central resource for initiative and integrity. The Congress, on its part, has responded with the very substantial federal support which has been essential to the growth of the Institution and to many of its far-reaching services to the public for over a hundred years.

Since 1846, the Institution has greatly benefitted from the unstinted efforts of the six Congressional members of its Board of Regents. In this regard, the following paragraph, from a Smithsonian publication in 1904, is still pertinent.

"It is probable that no class of the American people appreciate the work of the Institution more fully than the members of Congress. This has been clearly shown by the uniform liberality with which, throughout many successive terms, regardless of changes in the political complexion of the administration, they have supported its policy; by the discrimination with which they disseminate its reports; by the judgment with which they select their representatives upon its Board of Regents, and above all, by the scrupulous care with which they protect the Institution in its independence of political entanglements. That the Institution has accomplished so much in the past is largely due to the support which it has received from these practical men of business, and through them by the people of the United States. It is to such support that it will owe its efficiency in the future, and it seems right that every opportunity should be taken to explain its operations to the public. No intelligent American can fail to appreciate the benefits which the highest interests of the American people receive through the proper administration of the Smithsonian bequest."

The unique nature of the Smithsonian has been a mystery to many, and doubting voices have occasionally been raised, but throughout its one hundred and forty years there has been a broad consensus in Congress which has respected both the letter and the spirit of the original bequest. Congress has consistently maintained the integrity of the Institution's trust purposes and its independence of the administration of civil government.

In 1923, President Harding suggested the inclusion of the Smithsonian in a new Department of Education and Welfare, but the Joint Committee on Reorganization concluded:

"The Smithsonian Institution is one of the chief educational establishments under the Government, and the suggestion that it should be incorporated in the department of education and relief seems, at first blush, to be entirely logical. But the institution is effectively a corporation established under the terms of a private bequest. It is only quasi-public in character. Its growth and its splendid success have been due not less to private benefactions than to public support; and there is every reason not to endanger its development by altering its relationship to the Government, or by superseding the arrangements under which it has so greatly prospered."

More recently, the Comptroller General, in a letter to the Secretary of the Smithsonian Institution on September 1, 1961, stated:

"However, there is for consideration in this instance the unique nature of the Smithsonian Institution and of the property appropriated for its uses and purposes. . . . From time to time the functions of the Smithsonian have been increased by laws placing under its control additional establishments or authorizing it to extend its activities into additional fields, but its organization and powers with respect to the subject matter of its creation have remained substantially unchanged. (See 20 U.S.C. 41-57). . . . By the act of June 28, 1955, 69 Stat. 189, the Congress authorized the construction of 'a suitable building for a Museum of History and Technology. . . for the use of the Smithsonian Institution,' at a cost not to exceed \$36,000,000. While the cost of this building is covered entirely by appropriations from the general treasury, we find nothing in the act to indicate any intention that the building when complete

shall not be as much the property of the Institution, and subject to its control to the same extent, as the buildings originally constructed from funds of the Smithsonian trust. In effect, the building is appropriated to the Institution and dedicated to the trust purposes, without qualification or restriction."

In the course of its development, which has paralleled the growth of the nation, the Institution has been faithful to its trust mandate and, at the same time, has achieved a great many of the specific objectives which its Congressional supporters since John Quincy Adams have envisioned. The achievements of the Smithsonian, nationally and internationally, are due in essential part to the energy and discretion with which successive Boards of Regents, Secretaries, and staff have used the independent trust resources to venture into new fields "for the increase and diffusion of knowledge among men" and to encourage the private gifts without which the national museums would scarcely exist. The judgment of Congress in assigning to the Board of Regents and Secretary the responsibility for selecting the most appropriate of the myriad opportunities offered to the Institution has repeatedly been vindicated and reaffirmed in the very substantial appropriations of federal resources to the Smithsonian.

Set forth in the following "Outline" is the basic history of the Smithsonian. All the major actions of the Congress with regard to the Institution from 1836 to 1883 are noted. During this period the principle of federal support for the independent trust establishment was recognized by the Congress, and the Institution's expansion to its present scope was begun.

OUTLINE OF THE ORIGIN AND DEVELOPMENT
OF THE SMITHSONIAN INSTITUTION

I. The Smithsonian bequest to the United States as trustee

In 1826, James Smithson, an English scholar and scientist of independent means, drew up his will and provided therein:

"In the case of the death of my said nephew without leaving a child . . . I then bequeath the whole of my property . . . to the United States of America, to found at Washington, under the name of the Smithsonian Institution, an Establishment for the increase and diffusion of knowledge among men."

Smithson died in 1829. His nephew died without issue in 1835. In December 1835, President Jackson transmitted to Congress a report on the bequest, stating:

"The Executive having no authority to take any steps for accepting the trust and obtaining the funds, the papers are communicated with a view to such measures as Congress may deem necessary."

II. The Act of 1836, pledging the faith of the United States to the execution of the trust

John Quincy Adams, as chairman of the Select Committee appointed by the House to consider the bequest, prepared the bill which became the Act of July 1, 1836, and the unanimous committee report, which includes the following statements:

"To the acceptance of this bequest and to the assumption and fulfilment of the high and honorable duties involved in the performance of the trust committed with it, the Congress of the United States in their legislative capacity are alone competent."

"Of all the foundations of establishments for pious or charitable uses, which ever signalized the spirit of the age, or the comprehensive beneficence of the founder, none can be named more deserving of the approbation of mankind than this."

"To furnish the means of acquiring knowledge is, therefore, the greatest benefit that can be conferred upon mankind. It prolongs life itself, and enlarges the sphere of existence."

"It is, then, a high and solemn trust which the testator has committed to the United States of America, and its execution devolves upon their Representatives in Congress duties of no ordinary importance."

"In the commission of every trust, there is an implied tribute of the soul to the integrity and intelligence of the trustees; and there is also an implied call for the faithful exercise of those properties to the fulfilment of the purpose of the trust."

"Your Committee are fully persuaded, therefore, that, with a grateful sense of the honor conferred by the testator upon the political institutions of this Union, the Congress of the United States, in accepting the bequest, will feel in all its power and plenitude the obligation of responding to the confidence reposed by him, with all the fidelity, disinterestedness and perseverance of exertion which may carry into effective execution the noble purpose of an endowment for the increase and diffusion of knowledge among men."

The Senate report on this same bill states in part:

"The committee suppose it unquestionable that the executory bequest contained in Mr. Smithson's will, of his whole property to the United States, in the event that has occurred, for the purpose of founding at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men, is by the law of England a valid bequest; that the United States will be entertained in the court of chancery of England to assert their claim to the fund as trustees, for the purpose of founding the charitable institution at Washington to which it is destined by the donor, and that that court will decree that the fund shall be paid and transferred to the United States, or their lawfully authorized agent, leaving it to the United States to apply the property to the foundation of the intended charity at Washington and to provide for the due administration of the fund, so as to accomplish the purpose of the donor."

"The fund given to the United States by Mr. Smithson's will is nowise and never can become part of their revenue. They can not claim or take it for their own benefit. They can only take it as trustees, to apply to the charitable purpose for which it was intended by the donor."

"Upon the whole, the committee are of opinion that it is within the competency of the Government of the United States, that it well comports with its dignity, that, indeed, it is its duty to assert in the courts of justice of England the claim of the United States to the legacy bequeathed to them by Mr. Smithson's will, for the purpose of founding at Washington, under the name of 'The Smithsonian Institution,' an establishment for the increase and diffusion of knowledge among men, and that provision ought to be made by Congress to enable the Executive to assert and prosecute the claim with effect."

The Act of July 1, 1836, 5 Stat. 64, pledged the faith of the United States that all the monies or other funds which might be received for, or on account of the legacy, should be applied, in such manner as Congress should direct, to the purpose of founding and endowing at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men. The Act required the Treasurer of the United States to account separately from all other accounts of his office for all sums received by him in virtue of the bequest. And it made the first appropriation from federal funds for the benefit of the trust, in the amount of ten thousand dollars, to defray the expenses of prosecuting the claim and of obtaining possession of the funds.

With regard to the pledge of the faith of the United States, John Quincy Adams, in a lecture given in Boston in 1839, states:

"Having drawn with my own hand that Act, as it stands without the alteration of a word, upon the Statute book, it has given me heartfelt satisfaction that although there were members averse to the acceptance of the bequest, the Bill was unanimously reported by a Committee of nine members of the House of Representatives; that it was adopted, without a proposal of amendment or a word of opposition by both Houses of Congress, and approved by the then President of the United States. It has delighted me yet more to find that the full import of that pledge of faith has been understood and felt, by the Agent, commissioned for the recovery of the funds, and by the present President of the United States and the Heads of Departments. In my own judgment the mere naked acceptance of the bequest, would have imposed upon the United States the moral obligation of all that was promised in the pledge of faith; but to this moral obligation I was desirous of adding a sanction equivalent to an oath before God, and such I considered the pledge of faith in the Bill."

III. The Investment of the trust funds in State stocks in 1838

On the basis of the Act of 1836, and Adams' report, the English Court of Chancery, in May 1838, adjudged the Smithson bequest to the United States. On July 7, 1838, the last day of the session, Congress attached a rider to the appropriations act for the Military Academy, directing the investment of the Smithson funds in stocks of States bearing not less than five per cent interest and the investment of accruing interest in like manner. Adams protested in vain. The funds, in excess of half a million dollars, arrived in the United States on September 1, 1838, and were so invested by the Secretary of the Treasury. During the next eight years many of these State stocks declined substantially in value.

IV. The payment of expenses from the trust funds in 1839

The Act of 1836 had appropriated ten thousand dollars of federal funds for the expenses of securing the bequest in London, and in 1837 an additional five thousand dollars was appropriated for this purpose. After receipt of the trust funds in September 1838, the Secretary of the Treasury requested the opinion of the Attorney General whether any of the expenses involved in bringing the bequest to the United States should be paid from the trust funds.

After stating the provisions of the Act of 1836, accepting the bequest and pledging the faith of the United States to apply the monies and other funds which might be received to carry into effect the provisions of the will, the Attorney General says:

"From these provisions it appears to me that Congress intended that there should be no diminution of the funds bequeathed for the purpose specified in said will, but that the whole, whatever they might amount to, should be applied to carry into effect the intention of the Testator; and when the object of the bequest is considered, it cannot be supposed that Congress would act in any other than a liberal spirit.

"My opinion therefore is, that the amount of the whole money, and other funds received by the Agent of the United States under the Act of 1st July 1836 without reduction, constitute the Smithsonian fund, for the purposes specified in said Smithson's will; and that the whole expenses of prosecuting said claim, receiving and transporting the same to this country, including any additional expenses which may have been incurred here, ought to be defrayed out of the appropriation made by Congress."

Since the prior appropriations were insufficient, the Secretary of the Treasury in December 1838 requested an additional ten thousand dollars to cover such expenses on the principles laid down by the Attorney General. However, in March 1839, Congress added the following sentence to the Civil and Diplomatic Act:

"For carrying into effect the acts relating to the Smithsonian legacy, \$10,000, to be paid out of the fund arising from that legacy."

Later in 1839, John Quincy Adams wrote in his diary:

"The private interests and sordid passions into which that fund has already fallen fill me with anxiety and apprehensions that it will be squandered upon cormorants or wasted in electioneering bribery . . . the investment of the whole fund, more than half a million of dollars, in Arkansas and Michigan State stocks; and the dirty trick of filching the ten thousand dollars from the fund last winter to pay for the charges of procuring it--all are so utterly discouraging that I despair of effecting anything for the honor of the country, or even to accomplish the purpose of the bequest--the increase and diffusion of knowledge among men."

In March 1843, an additional amount of \$3,815.73 was appropriated from federal funds to pay the remaining expenses of securing the trust.

V. The Act of 1846, establishing the Institution in perpetuity and restoring the trust funds

After eight years of debate, Congress, in the Act of August 10, 1846, 9 Stat. 102, * "for the faithful execution of said trust, according to the will of the liberal and enlightened donor," constituted the President, the Chief Justice, and other officials:

"an 'establishment,' by the name of the 'Smithsonian Institution,' for the increase and diffusion of knowledge among men; and by that name shall be known and have perpetual succession, with the powers, limitations, and restrictions, hereinafter contained, and no other."

Perhaps as a result of John Quincy Adams' appeals to conscience, the Act declares that the entire amount of the bequest, without deduction for expenses, is on indefinite loan to the Treasury at six per cent interest from September 1, 1838. The amount of \$242,129, being the interest which would have been paid from September 1, 1838, to July 1, 1846, (uncompounded), is appropriated from federal funds for the erection of suitable buildings and other expenses of the Institution. A permanent appropriation of the interest accruing after July 1, 1846, is made "for the perpetual maintenance and support of the said institution." A portion of the public

* The permanent provisions of the Act of 1846 were reenacted in the Revised Statutes of 1875, Sections 5579-5594, and now are found in 20 U.S.C. §§41-67.

grounds within the city of Washington, belonging to the United States, is appropriated to the Institution for a site for its building. And Section 5 of the Act reiterates that:

" . . . all moneys recovered by, or accruing to, the institution, shall be paid into the treasury of the United States, to the credit of the Smithsonian bequest, and separately accounted for, as provided in the act approved July first, eighteen hundred and thirty-six, accepting said bequest."

VI. The continuing responsibility of the Board of Regents and the Congress for the Smithsonian trust

By the Act of 1846, Congress established the Institution in its present form and provided for the administration of the trust, independent of the Government itself, by a Board of Regents and Secretary, to whom is assigned broad discretion to determine the most appropriate means of increasing and diffusing knowledge among men. The reasons for creating a board of distinguished individuals from the three branches of the Government and from the citizenry of the United States to carry out these unique trust responsibilities of the United States are set forth in the House debate preceding the passage of the Act in 1846:

"Very considerable latitude of control, as to the means to be used, is given to the board of managers, and the ends to be aimed at are described in comprehensive terms. But the most ample guarantee for the wise and faithful use of this discretionary power is obtained in the fact, that the board will consist of the Vice-President of the United States, the Chief Justice of the Supreme Court, three Senators, three members of the House, and six others to be chosen by joint resolution of the two Houses, who are required to submit to Congress annual reports of the operations, expenditures and condition of the institution. In addition to all this, there is reserved the power to alter and amend the charter, as the results of experience may render necessary or expedient. All these provisions seem to be wise, and make it almost impossible that any abuse or misapplication of the fund can ever take place."

Implicit in these reporting and amending provisions of the Act of 1846 is the commitment of the Congress itself to assist and protect the progress of the Smithsonian trust and to maintain its independence from the three branches of the Government. The House report of March 3, 1855, on the Smithsonian fund, states in part:

"Regard for the memory of the dead who conferred upon our citizens the benefit of the fund, and upon our nation the honor of its administration, no less than a mere self-respect, will ever lead

this nation, through its representatives, to guard with peculiar vigilance the sacred trust involved in the bequest of Mr. Smithson, and carefully and diligently to watch the progress of the Institution in the fulfillment of the noble wishes of the founder, and the just expectation of mankind in its regard."

"The Government of the United States, in accepting the great trust conferred, pledged itself to carry out the objects of the founder, to administer the funds with a distinct reference to the requirements of the will, and to keep the institute, which bears the name of the founder, separate in all its relations from any and every other; to give it a distinct and substantive existence, and insure independence and efficiency to its operations."

VII. The statutory plan for the Institution

During the long debate preceding the Act of 1846, various groups in Congress had proposed that the Smithsonian should be a national university, an agricultural school, a normal school, a school for the blind, a national library, a botanical garden, a national observatory, a chemical laboratory, a popular publishing house, a lecture lyceum, or a national museum of arts and sciences. Some of the proponents focussed on the "increase of knowledge," some on its "diffusion," while others emphasized that the trust was not intended to benefit the United States only, but the world at large. Although the university and school proposals were abandoned on the theory that education was a field reserved to the States by the Constitution, the Act of 1846 achieved passage by providing for most of the other proposals in the one Institution:

"Section 5. . . . the board of regents . . . shall cause to be erected a suitable building, of plain and durable materials and structure, without unnecessary ornament, and of sufficient size, and with suitable rooms or halls for the reception and arrangement, upon a liberal scale, of objects of natural history, including a geological and mineralogical cabinet; also a chemical laboratory, a library, a gallery of art, and the necessary lecture rooms"

"Section 6. . . . in proportion as suitable arrangements can be made for their reception, all objects of art and of foreign and curious research, and all objects of natural history, plants, and geological and mineralogical specimens, belonging, or hereafter to belong, to the United States, which may be in the city of Washington, in whosoever custody the same may be, shall be delivered to such persons as may be authorized by the board of regents to receive them, and shall be arranged in such order, and so classed, as best to facilitate the examination and study of them"

"Section 8. . . . And the said regents shall make, from the interest of said fund, an appropriation, not exceeding an average of twenty-five thousand dollars annually, for the gradual formation of a library composed of valuable works pertaining to all departments of human knowledge."

"Section 9. . . . of any other moneys which have accrued . . . the said managers are hereby authorized to make such disposal as they shall deem best suited for the promotion of the purpose of the testator"

"Section 10. . . . the author or proprietor of any book, map, chart, musical composition, print, cut, or engraving, for which a copyright shall be secured . . . shall . . . deliver . . . one copy of the same to the librarian of the Smithsonian Institution"

It is evident that this broad range of functions could not be supported solely by the annual income of \$30,000. The two most influential factions which had emerged during the long debate were the national library and national museum groups. They had joined forces to pass the Act of 1846, but each intended thereafter to capture the entire resources of the Institution.

VIII. The redefinition of the Institution's basic functions

The first Board of Regents was appointed shortly after the passage of the Act in August 1846, and by the turn of the year it had elected a distinguished scientist as Secretary, selected the site on the Mall, and authorized the construction of a very large "castle" estimated to cost about \$250,000. The income problem was immediately apparent, and it was agreed that construction should be spread over a period of several years in order to accumulate interest for addition to the endowment. An uneasy compromise was worked out with the library and museum factions (both of which were represented on the Board of Regents) whereby one-half of the trust income would be spent on the library and museum functions and the other half on scientific research and publications.

A bitter and protracted struggle between the factions ensued, and in 1855, after investigations and reports by both Houses of Congress, the national library function was dropped. At the same time the building was nearing completion, at a cost of \$325,000 (not including the federal appropriation of \$7,000 in 1852 for planting and finishing the roads and walks around the building). It was necessary to decide whether the Institution could afford to accept the government collections, as provided in the Act of 1846, and whether the resulting museum would be appropriate to the basic purposes of the trust.

The House report of March 3, 1855, quoted above, includes comments on the museum concept in terms of the requirement of the trust that the Institution be not limited to local or national functions:

"We have, all around us, libraries and museums, by which what is known of literature and science may be diffused, so far as the influence of those libraries and museums extends; but it can not be denied that such an influence is necessarily quite limited. "

"A museum for the Smithsonian Institution should be of a kind to assist the student and the master in natural studies and enable them to pursue their inquiries to the full extent of attained results, that they may increase the amount of that kind of knowledge -- may add to what is already known; and when they shall have completed that commission and their reports shall have satisfied the Institution that something is contributed to the previous amount of knowledge in their particular branches, then the Institution shall cause these contributions to be printed in an appropriate manner and copies to be distributed to the various libraries of the country and the scientific associations throughout the world, thus diffusing knowledge among men. "

This concept of the research and publication functions of the museum was clearly within the basic purposes of the trust, but the additional role as curator of the national collections was also urged upon the Institution. Although much of the museum material which had been accumulating in Washington, at the Patent Office and elsewhere, was of importance to the scientific research of the Institution, much was of lesser interest, and there was a real danger that the expense of care and maintenance alone would exhaust the entire income of the trust. In 1858 the following agreement was implemented, as summarized in Secretary Henry's annual report to the Congress:

"It will be recollected that by the law of Congress incorporating this Institution 'all objects of art and of foreign and curious research, and all objects of natural history, plants, and geological and mineralogical specimens belonging to or hereafter to belong to the United States which may be in the city of Washington, in whosoever custody the same may be, shall be delivered to such persons as may be authorized by the Board of Regents to receive them. '

"The law thus giving to the Smithsonian Institution all specimens illustrative of nature and art to be found in the several offices and departments of government was not construed as rendering it obliga-

tory of the Regents to accept these objects if they considered it inexpedient to do so. Inasmuch, then, as this collection was neither essential to the plan of organization nor directly subservient to the comprehensive purpose of the donor in regard to a world-wide benefit, it was the ultimate decision of a majority of the Board that it ought not to be accepted and that no part of the donation ought to be expended in the care of property belonging to the government of the United States."

"In the meantime a very large amount of specimens of natural history had accumulated at the Institution from numerous exploring parties sent out by the general government; and as these collections had been made under the direction of the Institution, and their preservation was of the highest importance to the natural history of the country, it was finally concluded that if Congress would make an appropriation for the transfer and new arrangement of the articles then in the Patent Office, and continue the annual appropriation previously made for their care and exhibition while in charge of the Commissioner of Patents, the Institution would, under these conditions, become the curator of the national collections. This proposition was agreed to by the government, and the contemplated transfer has accordingly been made."

On the basis of this understanding, Congress in 1857 and 1858 appropriated a total of \$18,000 for the expenses of moving and installing the government collections. At the same time, the annual appropriation (\$4,000) for the care of the government collections, which had begun in the 1840's, was transferred to the Institution.

IX. The growth of the Institution through federal appropriations and private gifts

The principle of annual appropriations support was thus established, but the amount remained more or less the same until after the Civil War. In 1869, Chancellor Chase and Representative (later President) Garfield pointed out to Congress that the annual cost to the Institution of the government collections had grown to over \$10,000, and suggested that the Government should take them back if it was unwilling to pay the expense. In 1870, appropriations increased to \$20,000; in 1873 to \$30,000. By 1877 the amounts appropriated for the benefit of the trust since its acceptance in 1836 totalled \$346,000, not including the payments of interest on the trust endowment and the value of the federal property donated to the Institution.

In 1878, the annual appropriations for the first time equalled the expenditures from the Institution's trust funds. In 1879, \$250,000 was appropriated for the construction of the new building for the National Museum, now known as the "Arts and Industries Building." With the staffing and opening of the building in 1881 the annual appropriation more than doubled, and by 1883 appropriations were providing for more than eighty per cent of the Institution's annual expenses.

During the last hundred years of the Institution's growth, the federal appropriations have doubled and redoubled many times. At the same time, substantial private contributions to the trust funds, although largely for restricted purposes, have continued to provide an essential portion of the Institution's resources, varying from ten to thirty per cent annually, throughout this period. This financial support has been but a small fraction of the value of the additions to the collections from private sources.

Between 1836 and 1846, Congress could, perhaps, have set up the Smithsonian as a small, self-sufficient research organization completely divorced from national interests. However, the Congressional leaders of that day, and since, with the concurrence of the Board of Regents, determined that the Institution could also serve national interests within its trust mandate. In order to achieve these more limited objectives without violating the broad purposes of the Smithsonian trust to which Congress had pledged the faith of the United States, it was necessary from the start to supplement the original trust resources with federal funds and property. This continuing commitment of national support to an independent and disinterested trust organization has called forth very substantial additional contributions from private individuals and organizations. The result has been to give this trust created for the benefit of mankind a scope which the founder could not have foreseen and, at the same time, to "promote the general welfare" of the United States without compromising the moral and legal obligations which Congress accepted.

SMITHSONIAN RESEARCH FOUNDATION

In substance, the Report suggests that the Foundation is not a properly constituted entity, that its contracts may not be valid obligating documents, and, therefore, the administration of Foundation programs might not be in accord with the fiscal and civil service laws.

The historical outline set forth earlier in this letter describes the basic authority of the Board of Regents to incorporate the Foundation. This authority was further confirmed when the Congress and the Office of Management and Budget approved the incorporation of a similar organization, the Smithsonian Science Information Exchange, Inc., and the administration of its program under a contract obligating appropriated funds. The type of contract employed to provide for the administration of research projects and fellowships by the Foundation has been in use for many years throughout the Government, and is recognized as a valid obligating document. It is a truism that appropriated funds, when properly contracted, become the funds of the contractor, subject, not to the laws governing the expenditure of appropriated funds, but to the rules of accountability applicable to federal contracts. The employees of the contractor are not subjected by the contract to the civil service laws.

The Report states that "the Foundation does not provide any management function of consequence." Since there are few facts stated in support of this opinion, the following summary of the history of the Foundation and the operation of its principal programs may be helpful.

In the exercise of its statutory responsibility for the internal management of the Institution, the Board of Regents has authorized the numerous administrative organizations and arrangements necessary to carry out the programs and activities of the Institution. For many years the Institution, as an independent trust establishment, has contracted with Government agencies and other organizations for the execution and funding of a variety of special research and scholarly functions. Eleven years ago the Board of Regents authorized the incorporation of the Smithsonian Research Foundation as the most efficient and appropriate way to provide for the administration and accountability of one or more special programs which Congress had approved and funded.

At the meeting on May 11, 1966, of the Executive Committee of the Board of Regents, the following recommendation was discussed and approved:

"SMITHSONIAN FOUNDATION FOR EDUCATION AND RESEARCH

"For a number of years prior to FY1966 the Institution received funds from the National Science Foundation for a continuing series of special research projects of individual staff members. These projects differ from more routine curatorial work in that they are based on individual research objectives to be achieved within specific periods varying from a few months to several years, and they are selected by a competitive process on the basis of merit. Each project is planned and funded as a separate unit which includes the special equipment, short term technical assistance, travel, etc., necessary to achieve the research objective within the stated period. The funds received by grants from the NSF are administered by the private side of the Institution with an individual account for each project.

"In FY1966 and FY1967 these projects are being financed by direct appropriations to the Institution, which, as reported to Congress, are to be administered and expended in the same manner as the grants received from the NSF (See Senate Hearings on H.R. 14215, 89th Cong., 2nd Sess., Part II, pp. 1500-1501). In order to achieve the same degree of flexibility in administering these special funds independent of fiscal year limitations or Civil Service requirements, it is proposed to establish a research foundation to receive, disburse, and account for the funds granted to projects which have been competitively selected for a research award. The foundation will have a corporate structure composed entirely of Smithsonian personnel.

"Nonprofit foundations of this type have been established by many colleges and universities, particularly state universities, for the flexible administration of research projects. In 1959, the NIH incorporated its 'Foundation for Advanced Education in the Sciences'; and in the Bell Report (1962) the Director of the Bureau of the Budget recognized the advantages of the nonprofit corporation for the administration of federally financed research.

"The transfer of funds from a Smithsonian appropriation to the proposed foundation account for the purpose of financing research projects is consonant with our established practice of receiving approximately ten million dollars annually from the appropriated funds of Government agencies in the form of grants

and contracts for the performance of scientific research by the Institution as a private organization. The authority for the Smithsonian to use appropriated funds to finance scientific research by contract is found in 41 U.S.C. 252(c); and 42 U.S.C. 1891 provides that such research may also be financed by grants, where it is deemed to be in furtherance of the objectives of the agency.

"In addition to financing and administering research projects formerly funded by the NSF, it is contemplated that the foundation may also prove useful for other special programs such as visiting fellowship awards or cooperative projects in field biology."

The proposal was approved by the full Board of Regents at its meeting on May 17, 1966.

The Smithsonian Research Foundation (SRF) was duly incorporated under the laws of the District of Columbia in June 1966, and shortly thereafter received formal recognition from the Internal Revenue Service as an exclusively charitable, scientific, literary, and educational organization tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Under its first contract, the SRF agreed to be responsible for the "Research Awards Program" for which funds had been appropriated to replace the earlier grants received from the National Science Foundation for the special research projects of individual SI scientists. At the 1966 Hearing before the Senate Subcommittee on Appropriations this program was presented with the understanding that the funds would be administered in the same manner as the grants received from the National Science Foundation. By its contract, the SRF accepted the binding legal obligation to provide the administrative services and advice necessary to individual researchers and the reports and fiscal accountability required of grantees of federal funds. Its accounts are subject to audit by independent auditors, and by the General Accounting Office, at its discretion.

The recurring cycle for the Research Awards Program begins in November, when the Foundation solicits project proposals, of scientific, cultural, artistic, or educational intent, from any qualified professional staff member of the Institution. The SRF Executive Director reviews each proposal for appropriateness under the Foundation's charter. He aids and assists the scholar in the preparation of the proposal, and he may suggest modifications either to the proposed plan of work or to the budget. Proposals must be received by March and may be accepted or rejected at the discretion of the Executive Director. Those accepted are forwarded to the appropriate office in the Institution, which, in turn, submits them in

May to a qualified review committee whose expert members are drawn largely from the academic world. No Smithsonian or Foundation individual is involved in any judgment concerning the scholarly merits of any proposal after it is presented for panel review, nor is any expert member of the panel an employee of the Institution or Foundation.

The periods of these special research projects vary from one to four years, and the budgets range from a few hundred dollars to about \$30,000, to cover the costs of the equipment, supplies, travel, research assistants, and other requirements specifically justified for the particular project. The review panel ranks the projects in order of merit and recommends awards for as many as can be funded within the estimated amount of appropriations for the Program. As soon as practicable after the appropriation is available, normally after July first in the past, the total amount for the recommended projects is contracted to the Foundation, and the Foundation makes the awards to the individual scholars. In several recent years, funds have been available, and have been contracted, for partial or complete funding of the Program prior to the end of the fiscal year in June.

The Foundation is then responsible for administering all fund disbursements through its own account and voucher check system, purchasing equipment and supplies, processing travel documents and vendor payments, hiring qualified individuals for the approved research assistants, and providing insurance where necessary. All expenditures are audited annually, and periodic reports on each contract and the projects thereunder are furnished by the Foundation to the federal contracts office. In a particular cycle, the last project will be closed out about five years after the cycle began.

With regard to another program administered by the Foundation, for several years prior to 1968, the Smithsonian had received appropriations for visiting fellowships. The Fellowship Program was administered by the National Academy of Sciences under a contract which was identical in its basic provisions with the contracts executed by NASA, the Department of the Army, and other agencies, to have the Academy administer visiting scientist programs for them. In 1968, it was determined that the Institution-wide Fellowship Program could be more efficiently and economically administered by contract with the Smithsonian Research Foundation. The procedures for selection, administration, and fiscal accountability are substantially the same as for the Research Awards Program.

Appropriations have been approved annually for about forty pre-doctoral and postdoctoral visiting fellows. This program for one-year fellowships is advertised in September, and in March the very numerous applications are sent to eight committees, consisting of Smithsonian scholars in the eight discipline areas for which fellowships have been offered,

which rank the applications in order of merit and recommend appointments and alternates. Notices of awards are sent out in March-April, and acceptances are received in May or June. As soon as funds are available, a contract is executed with the Foundation for the total amount necessary for the administration and accounting for these approved fellowships. A few fellows will begin their year in the late summer, the majority in the autumn, and a few as late as February of the following year. Each program cycle thus covers a period of about two and one-half years from the advertising to the completion of the last fellowship in the cycle.

In 1967 and in 1970, the Foundation agreed to accept responsibility for administering two additional and similar programs: the foreign currency research grants to Smithsonian scholars, and the Woodrow Wilson Center Fellowships. These programs have the same characteristics, involving research projects or fellowships of varying duration unrelated to the calendar or fiscal year, funded by lump-sum annual appropriations. The specialized administration provided by the Foundation to fulfill the particular requirements of these programs is the same as has proved effective, economical, and fully accountable for the Research Awards and Fellowship programs.

The clear objective of Congress in appropriating funds for these special programs is that they shall be administered in a manner appropriate to the special term and requirements of the individual project or fellowship. The valid obligation of the annual appropriation for each of these programs, by contract with the Foundation, guarantees the continuous funding and single-purpose administration of each project or fellowship according to its particular term. Similarly, the limitations of the contract assure that the temporary research assistant authorized for a particular project will not become part of the regular Smithsonian staff, for which other funds are appropriated, and that no program funds will be used and no commitments made for this purpose beyond those required and approved for the specific research project.

Information was supplied to the GAO auditors which indicates that during the first ten years of the specialized administration of the Research Awards Program by the Foundation, the administrative cost was about \$500,000 less than it would have been under the federally mandated overhead rates for all grants (like those from the NSF) and contracts received by the Smithsonian from Government agencies during the same period. It is believed that further analysis would show similar economies in the other programs administered by the Foundation. The Foundation achieves these economies by keeping its staff to the minimum consistent with its basic legal and professional responsibilities and procuring a number of its technical service requirements by contract from various Smithsonian

support activities. In June 1976, the Foundation reduced its staff by three when it determined that certain bookkeeping services could be provided more economically by the Smithsonian's fiscal office with its computerized systems.

The Foundation derives its operating income by means of a negotiated fee provided for in the contract for each program. This overhead income rate is determined according to the generally accepted principles of reimbursement for costs incurred in the administration of a number of contracts, where the indirect costs of administering an individual contract cannot be identified. After a review of the labor and time involved in administering the Foundation's programs, a two-tier system has been established: at present programs requiring stipend issuance and income withholdings are charged 8-1/2% by contract; research contracts, involving equipment, supplies, travel, and some payroll administration, are charged 13-1/2%. The overhead income covers the salaries and benefits of Foundation administrative employees; the cost of Institution technical services; unemployment and workmen's compensation for all Foundation employees; a general liability policy for all Foundation employees; a severance fund for the administrative staff; purchases of office supplies and equipment; and official travel related to the Foundation business.

The Foundation's Board and staff have, for eleven years, sought to assure that the operations of the Foundation would be in accordance with the highest professional and accounting standards, and consonant with the trust purposes of the Institution itself. To maintain these standards, periodic outside review is extremely helpful, and the recent discussions with the GAO audit staff have already suggested a number of improvements in the administration of these special programs. However, there is nothing in this brief section of the Report concerning the operations of the Foundation to indicate how the Board of Regents might have exercised its discretion more responsibly with regard to these important programs, or to spell out in what way some other unspecified method of administration would be more appropriate, more effective, or more accountable. Indeed, the "Recommendation to the Secretary" appears to recognize that, if the suggestions of the Report are adopted, these programs cannot be run effectively without additional legislation to provide exemptions from existing legislation. Since the present arrangement of eleven years standing is properly authorized by the Board of Regents and is efficient and fully accountable, and since the programs regularly funded by the Congress have proved valuable and productive, it is difficult to perceive how implementation of the recommendations of the Report would result in substantial improvement in these programs. On the other hand, further advice as to any technical problems mentioned in the Report would be appreciated.

These research and fellowship programs, though modest in amount, have been extremely important to the Institution's basic mandate for the increase of knowledge. The fellowships have greatly expanded the use of the national collections, and the availability of special research support has made it possible to compete more successfully in the academic community for scholars and curators of the highest attainments. The Institution would welcome an opportunity to discuss with the GAO and the appropriate Congressional committees any alternative administrative procedures that would preserve and enhance the effectiveness and economical operation of these programs.

SMITHSONIAN SCIENCE INFORMATION EXCHANGE

The Report does not adequately set forth the history of the Exchange. It gives the impression that the present mode of operation of the Exchange originated with its incorporation in 1971. As in the case of the Smithsonian Research Foundation, the Exchange was incorporated to maintain an activity formerly funded by the National Science Foundation in the form most appropriate to its particular requirements. However, the Exchange was created in 1949-50, outside the Smithsonian, as a unit under the administrative charge of the National Academy of Sciences, and funded entirely by contract.

In 1953 the Exchange came under the aegis of the Smithsonian at the request of the Academy and the government agencies which had set up the Exchange to assist them in their growing programs of support for independent scientific research. The Smithsonian's acceptance of a limited administrative responsibility for the Exchange was unrelated to the Institution's own programs. It was accepted as a service to the national and international science community, with the clear understanding that it would be maintained as a separate organization, funded by contract, with its program requirements determined by its user organizations and with the authority for its budget, staff, space, equipment, expenditures, and operations vested in its Director.

"History and Function of Science Information Exchange

"The SIE was established in 1949. Originally called the Medical Sciences Information Exchange, it was created by an interagency agreement among the Departments of the Army, Navy, and Air Force, the Atomic Energy Commission, the Veterans' Administration, and the Public Health Service and funded out of their separate budgets. In 1953 the National Science Foundation joined in its support, the Exchange was renamed the Biosciences Information Exchange, and it was put under the aegis of the Smithsonian Institution.

"In general, its function is to serve the participating Government agencies, and the scientific community, by facilitating 'the prompt exchange of information about their current research activities.' As its former names imply, the Exchange began by concentrating on supplying information about basic research in the life sciences, chiefly medical and biological.

"In 1960 the National Aeronautics and Space Administration and the Federal Aviation Agency were added to the list of supporting agencies and the Exchange was once again renamed, this time the Science Information Exchange to reflect the fact that it had broadened its scope to include research in the physical sciences, such as 'chemistry, physics, mathematics, engineering sciences, earth sciences, materials, and electronics.' "

pg. 67, House Report No. 1729,
August 10, 1964, "Administration
of Research and Development Grants"

"Summary and Recommendations

"The committee concludes that:

"1. Continued Federal support of SIE is deemed to be warranted. The committee is convinced that, with better cooperation on the part of the various Government agencies, SIE's holdings can be made substantially complete. Its services, both to the scientific community at large and to research administrators, are clearly useful; as a tool for coordination and avoidance of needless duplication, it has already demonstrably paid for itself many times over.

"2. The SIE should continue to be operated within the Smithsonian Institution. While some benefits might certainly accrue should it be brought into the Federal system proper by making it an in-house facility of an agency such as the National Science Foundation, it seems best to keep it set apart lest the easily documented possibility of interagency rivalry affect its efficacy as an interagency coordinating service."

pg. 90, House Report No. 1729,
supra.

"The history of BSIE may be traced back to the dissolution of the wartime Office of Scientific Research and Development (OSRD) in 1946, at which time a number of Federal agencies then undertook their independent support of research in the medical sciences. Information exchanges were established within various agencies, the largest of which was the Office of Exchange of Information of the Public Health Service. When the amount of research supported by Federal agencies in the medical field had grown from \$4.3 million in 1946 to \$33 million in 1949, with corresponding growth in the number of research organizations, investigators and related multiply-submitted proposals, it became imperative that research project information be coordinated in order to prevent unknowing duplication of sponsorship. The Medical Sciences Information Exchange was then founded as a cooperative venture in July 1950 within the Division of Medical Sciences, National Research Council. Support and administrative policy for the Medical Sciences Information Exchange (MSIE) was considered the joint responsibility of the six participating Federal agencies. In the fall of 1953 the National Research Council urged that the MSIE be shifted to the Smithsonian Institution; it was then renamed the Bio-Sciences Information Exchange to take into account its expansion in the fields of biology and psychology. Until the consolidation into the SIE, BSIE was still governed and funded by the seven original supporting Federal agencies."

pg. 75, Senate Report No. 263,
May 18, 1961, "Coordination of
Information on Current Scientific
Research and Development
Supported by the United States Government"

"The Bio-Sciences Information Exchange is an independent establishment located in Washington, D. C., administratively attached to the Smithsonian Institution, and following the September 22, 1960, action by Smithsonian, now a division within the recently founded Science Information Exchange."

"Policies of BSIE are determined by a governing board which, until recently, was composed of two representatives from each of the seven participating Federal agencies and the Smithsonian Institution. These were: Atomic Energy Commis-

sion, the Departments of the Army, Navy, and Air Force, Public Health Service, Veterans' Administration, and the National Science Foundation. BSIE operations have been funded by these same agencies out of their operating budgets. The Governing Board operated under an 'agreement' which served as a charter outlining the responsibilities of the Exchange and the services it may offer granting agencies and individual scientists. Non-Federal cooperating agencies were not represented on the Governing Board."

pg. 73, Senate Report No. 263,
supra.

"The Smithsonian Institution has experience in the operation of such facilities by having provided its auspices to the BSIE for the past 7 years. On the other hand, Smithsonian has apparently considered that responsibility for assuring BSIE effectiveness lay with the Governing Board. It is true, however, that since an information exchange involves a service, Smithsonian has the advantage in itself not being a primary contributor to or user of the service and thus has no special interest that may be considered in competition with other participants. Moreover, the Smithsonian Institution has a stature in the scientific community that distinguished it from a Federal entity."

pg. 187, Senate Report No. 263,
supra.

". . . the Foundation has given consideration to the matter of governing and advisory instrumentalities for the SIE and of representation by non-supporting as well as supporting participants. Extending the present technique of having two representatives of each supporting agency on the BSIE Governing Board would result in a most unwieldy policy and management group for the enlarged Exchange. In striving to create a service of national proportions, there would be considerable merit in trying to provide for some type of participation, at least of an advisory nature, by organizations which are not providing financial support.

"Consideration of a solution somewhat along the following lines is suggested. Provide in the SIE charter for a Governing Board comprised of one member of each Federal Depart-

ment or independent agency which contributes funds for the support of the Exchange, and one for the Smithsonian Institution, each member to have one vote. Each supporting agency should, of course, exercise its own judgment in the designation of its official representative, with the understanding, however, that each such representative should be able to speak for his agency with respect to funding and similar management problems.

"To provide technical advice and guidance on substantive problems, an Advisory Panel is suggested for each major field covered by the SIE and for which there is an Associate Director. These Panels would be advisory to and designated by the Governing Board, and membership need not be restricted to supporting organizations. NSF proposes a Life Sciences Advisory Panel, a Physical Sciences Advisory Panel, and a Social Sciences Advisory Panel. While having continuing status, these Panels would meet and function very largely on an ad hoc basis, as problems arise which warrant their individual attention. The size of each Panel, tenure of membership, and similar matters would appear relatively easy to resolve, if there is agreement on this type of structure. This suggested structure seems to offer the best compromise of the differing views which have been expressed about governing and advisory bodies.

"To implement these views, the NSF recommends that first attention be given to the charter of SIE. To assist in this phase the Foundation has prepared a draft SIE charter, based on the BSIE charter, for review by appropriate Federal agencies. After such review it is hoped that a working meeting can be convened to agree on an SIE charter which would be acceptable to the agencies concerned. June 30, 1960, is suggested as an appropriate target date for ratification of the SIE charter."

pg. 191, Senate Report No. 263,
supra.

The charter recommended by NSF was agreed to on September 22, 1960, and is set forth at pg. 192 of the same Senate Report No. 263. The seven-member Governing Board of the Exchange, consisting of representatives from the six major granting agencies and the Smithsonian, has responsibility for policy and general management directions. The Director of the Exchange is responsible for the direction and coordination of all

SIE operations. He is authorized to appoint Associate Directors for appropriate scientific areas as determined by the Board; to prepare the annual budget; to determine needs for staff, space, and equipment; and to approve expenditures. The charter provides that the Exchange is to be funded through contracts or grants between the signatory agencies and the Smithsonian Institution, and that the function of the Smithsonian is to "provide financial and administrative services as required for operations of the SIE."

For all of its 27 years the Exchange has maintained its own offices in downtown Washington, and its self-contained operation with its own employees supervised by its Director in cooperation with its user organizations has been supported and approved throughout by both the legislative and executive branches. In 1968-69, the NSF, which was then the single funding agency, requested the Exchange to charge user fees to both non-federal and federal users. At about the same time, NSF recommended that its appropriation for the Exchange be transferred to the Smithsonian's federal funds budget.

The Smithsonian agreed to accept responsibility for the Exchange's appropriation on condition that the Exchange would be incorporated in order to continue its independent operation by contract. This was approved by the Office of Management and Budget and the Appropriations Committee. Since 1971 an entirely separate line item has been included in the Smithsonian appropriation bill to fund the contract with the Exchange.

Under its corporate charter the Director of the Exchange (now entitled "President") continues to be responsible for the entire day-to-day management of the Exchange, including personnel and procurement. His planning and implementation of the programs of the Exchange in cooperation with its user organizations is carried out through the SSIE Advisory Council. The ministerial and audit responsibilities of the Smithsonian are fulfilled through its contracts with the Exchange and through the President's reports to the Exchange's Board of Directors. The membership of the Board normally includes four representatives from the Smithsonian, one from NSF, one from NIH, the chairman of the SSIE Advisory Council, and the President of the Exchange. Although Smithsonian officers serve on the Board, it is the Board, rather than the Smithsonian, that is legally responsible for the independent corporate obligations of the Exchange. The Board approves general policies, but the day-to-day operations of the Exchange, such as personnel actions and related workload management, are the functional and legal responsibilities of the executive officers of the Exchange.

It is apparent from this summary of the history, organization, and operation of the Exchange that the Smithsonian does not "control" the Exchange in the ordinary sense of the word. The operations of the Exchange are controlled by the restrictions on the appropriation, by the mandatory provisions of the federal contract with the Exchange, by the decisions of the President of the Exchange and user organizations on programs, by the requirements of the procurement laws embodied in the contracts with federal users, and by the complete accounting and reporting procedures necessary for audit, by the GAO and others, and for the Appropriations Committees' review. An example of the latter is the following table submitted to the Appropriations Committees as part of the Exchange's budget justification for fiscal year 1977.

Table I

SSIE Processing Workload and Sources of Revenue

	<u>Actual FY 1972</u>	<u>Actual FY 1973</u>	<u>Actual FY 1974</u>	<u>Actual FY 1975</u>	<u>Projected FY 1976</u>	<u>Projected FY 1977</u>
<u>Processing Workload</u>						
Input Volume ^{1/}	92,403	85,530	102,368	125,531	130,000	136,000
Output						
Report Volume ^{2/}	502,856	348,600	605,300	671,000	805,200	885,700
Contracts						
- No. active during FY	16	15	13	18	20	21
- Average \$ cost (\$000)	\$ 8.6	\$ 14.2	\$ 8.5	\$ 27.5	\$ 39.4	\$ 42.4
<u>Sources of Revenue & Total Costs</u>						
Federal Support ^{3/} (\$000)	\$1,600.0	\$1,600.0	\$1,695.0	\$1,805.0	\$1,944.0	\$1,900.0
User Revenues (\$000)						
Search Products	230.9	213.9	305.9	339.0	375.0	400.0
Contract Services	148.3	216.3	110.4	495.0 ^{4/}	788.4 ^{4/}	890.0 ^{4/}
Total User Revenues	379.2	430.2	416.3	834.0	1,163.4	1,290.0
Total Costs of Operation	<u>\$1,979.2</u>	<u>\$2,030.2</u>	<u>\$2,111.3</u>	<u>\$2,639.0</u>	<u>\$3,107.4</u>	<u>\$3,190.0</u>
<u>Distribution of Total Costs</u>						
Federal Support	81%	79%	80%	68%	63%	60%
User Revenues	19%	21%	20%	32%	37%	40%

^{1/} Notices of Research Projects indexed.^{2/} Notices of Research Projects disseminated in the form of SSIE search products.^{3/} Federal support per Notice of Research Project indexed has been reduced by 19% during period shown.^{4/} Includes contract support to the National Cancer Institute under the International Cancer Research Data Bank program.

This portion of the Report, commenting on the Exchange, recognizes that the Exchange performs a valuable public service, that it is efficient and economical, and that its long-standing mode of operation has the approval of Congress. Nevertheless, the Report recommends that the separate organization of the Exchange, which has been fundamental to its highly specialized functions for all of its 27 years, be dismantled. This recommendation, supported only by a vague reference to "effective congressional control and accountability," is not explained or analyzed in the Report, and is clearly unwarranted.

The Report contains no evidence, for there is none, that the pervasive controls available to the Congress and exercised by it throughout the life of the Exchange have not been effective. The Report makes no reference to the extensive Congressional studies which have comprehended all aspects of the Exchange. On the basis of the full financial and program information regularly supplied to the legislative and the appropriations committees, Congressional approval and support of the separate operation of the Exchange has consistently been reaffirmed.

This recommendation is made without any attempt to analyze the effect its implementation would have on the essential ability of the Exchange to adjust its staff levels and procurements rapidly to meet changes in user demands. The Report is silent on the unjust results that would follow from mandatory conversion to federal status of the many employees of long service to the Exchange. Moreover, the Report apparently disregards the long-standing policy and practice of the Government to obtain and administer many specialized services and functions by contract, which practice was approved by both the executive and legislative branches as one of the basic conditions under which the Smithsonian agreed to assist the Exchange.

It should be observed, although there has not been time for a detailed study of this unexpected recommendation, that its implementation would likely diminish both accountability and control. The presently identifiable indirect costs of the Exchange would disappear into the general expenses of Smithsonian support activities. The unified responsibility and accountability which is now clearly vested in the President and other executive officers of the Exchange would be dispersed to various Smithsonian units such as the personnel and procurement offices.

The Exchange has greatly benefitted from the continuing interest of the Congress over nearly three decades, which has encouraged its growth in its present form and helped resolve the complex problems of information transfer. Problems continue, such as the incompleteness of coverage in a number of areas because input to the Exchange from some agencies is

variable. But these are problems relating to program, not to organization. A review of the roles of the Exchange and its potentials for the future was recently presented by the President of the Exchange at the request of the President's Committee on Science and Technology Policy as a part of its current study of information dissemination. As in the past, the Smithsonian will appreciate any opportunity to participate in the continuing examination, by the executive branch, the GAO, and the legislative and appropriations committees of Congress, of the development of the Exchange and the advantages or possible improvements in its operations.

INFORMATION ON SMITHSONIAN FINANCES

This section of the Report first describes the reprogramming of operating funds with regard to the establishment of a contingency fund capability. The Report concludes that the Institution requires some administrative flexibility in reallocating funds among budget categories and recommends that the Smithsonian work with the appropriation subcommittees to arrive at a mutually agreeable understanding as to the reprogramming actions above some amount that the committees would want to approve in advance.

The Institution fully concurs in this conclusion and recommendation and is anxious to continue discussions with the subcommittees to develop guidelines which will provide Congress with the necessary level of control yet offer the Institution some administrative flexibility given the number of line items in the Smithsonian's budget, the more than two-year period over which any fiscal year's budget is developed and carried out, and the number and variety of needs that arise over this period as the Institution attempts to meet its responsibilities. It might be added that the Office of Management and Budget has urged the Smithsonian to work out such a procedure with the Congress.

This section of the Report also deals with the various types of trust fund income and the expenditure thereof by the Institution, pointing out that annual reports on the subject are regularly supplied to the Congress. It recommends, however, that information on the planned use of trust funds should be provided to appropriations committees at the time appropriation requests are submitted and that clear policies should be established governing the use of federal and trust funds.

As has already been demonstrated by the complete cooperation with GAO auditors reviewing Smithsonian operations, by the annual submission to Congress since 1971 of comprehensive financial reports and by numerous informative letters to Congressional committees over the years, the management of this Institution has been and is willing at all times to furnish

fully to the Congress any and all facts, financial or otherwise, about its operations. Currently it is recognized that in some areas, notably non-federal funds expended under the immediate direction of individual bureaus, the amount of such funds has increased in the past year or two to the point where reporting of additional details concerning them may now be desired. If so, such information will be provided in the future.

Budget projections of the Institution's trust funds for two years in advance, as recommended by the GAO, can also be furnished to the Congress with the concurrence of the Smithsonian Board of Regents which approves all such budgets. Such projections, however, should be received by the Congress with the understanding that they cannot be viewed with the same degree of reliability as, for example, estimates for federal appropriations, since the projections of trust fund income and expenditures depend in part upon future economic conditions, numerous management decisions, the personal circumstances and decisions of important donors, and a host of other variables which are not predictable with certainty so far in advance. At the same time, it should be respectfully pointed out that, in order to assure that Smithsonian is to continue its operations under the direction of its Board of Regents as it has done so successfully for the past 130 years, the provision of advance planning information to the Congress should be for the purpose of assisting its appraisal of Smithsonian operations without limiting the statutory responsibilities of the Regents.

In this respect, the Institution will indeed endeavor to set forth more clearly the policies by which decisions are made on the use of federally appropriated funds and the limited trust funds available to the Board of Regents. It should be emphasized that all funds, both federal appropriations and trust funds, are always used for purposes consonant with the Smithsonian gift. The flexibility provided by the combined employment of federal and trust funds has been of immense value to the Institution in the attraction of national collections, the carrying out of important research efforts, the ability to take advantage of valuable opportunities, and the initiation of fruitful, innovative activities.

ESTABLISHMENT OF NEW FACILITIES

This portion of the Report briefly describes four centers of Smithsonian activity: Cooper-Hewitt Museum, Chesapeake Bay Center for Environmental Studies, National Zoological Park's Conservation and Research Center, and the Smithsonian Tropical Research Institute. While these activities have been under the Smithsonian's stewardship for periods ranging from three years in the case of the Conservation and Research Center to over thirty years in the case of the Tropical Research Institute and thus should not be categorized as newly established, the Institution completely respects the Congressional need to be promptly informed of Smithsonian plans that might involve substantial new federal expenditures.

We agree that more comprehensive and timely communication with the appropriate Congressional committees is essential. This will be done.

Regretfully, the Report does not evaluate the many and varied benefits, as compared with the costs, which have accrued to the American public from the programs cited in this section of the Report. These benefits include the acquisition of valuable private collections and property, the development of a national preserve for the study and documentation of environmental systems, the conservation of endangered wildlife species, and the gaining of important and practical insights into the biology of the tropics, an area whose flora and fauna are of dramatic significance to the entire Western Hemisphere. It is recognized, however, that the GAO had limited time to review the effectiveness of these programs as suggested in the Senate request. Consequently, the Institution would be pleased to provide any further information required by the Congress.

OTHER MATTERS

Informational items reported in this section include the proposed Museum Support Center, the types of research conducted by a number of Smithsonian bureaus, and travel by Smithsonian officials. Of special importance to the future of the Institution is the Support Center project. The Institution welcomes the opportunity afforded by this Report and by the appropriation hearings on the fiscal year 1978 budget to elaborate on the benefits that this Center will provide for the management and preservation of the national collections, and for the training of conservators. With regard to the two research programs identified for special review, the Chesapeake Bay Center and the Tropical Research Institute, the Smithsonian is pleased that the Report addresses the concern, shared by the Institution, that their work does not duplicate activities carried on elsewhere.

CONCLUSION

In their letter of June 1976, which initiated this GAO review, Senators Byrd and Stevens specifically requested a determination of whether Smithsonian appropriations "are effectively and properly utilized for the purposes for which they were appropriated" (emphasis added). While the Smithsonian is most appreciative of the diligence, the objectivity and the courtesy of the GAO staff engaged in this study, it regrets that so little attention was devoted to the first of these questions, the effectiveness with which appropriations have been used. Admittedly, in an enterprise as complex and varied as the Smithsonian, no simple quantitative measure

of effectiveness suggests itself. Nevertheless, it seems not unreasonable to conclude this letter by asking whether the people of the United States--and indeed of the world--have been well served by the Institution's use of the funds available to it in recent years. How well has the Smithsonian fulfilled its obligation to increase and diffuse knowledge among men?

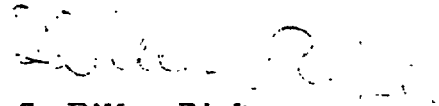
A full catalog of Smithsonian achievements over the past decade would be tedious and out of place here. Nevertheless, it might be noted that the national collections have been enriched by a number of spectacular gifts, among them the C. S. Johnson and Hirshhorn collections of art, the Lilly collection of coins, the Cooper Union collections of decorative arts and design, and the Dibner collection of rare books, manuscripts, and instruments in the history of science and technology. Six new museums--the National Portrait Gallery, the Renwick, the Anacostia Neighborhood Museum, the Hirshhorn Museum and Sculpture Garden, the National Air and Space Museum, and the Cooper-Hewitt Museum--have been opened to the public, and are now enjoyed by millions of visitors each year. The National Collection of Fine Arts, for the first time in its long history, has been installed in an appropriate setting, and the century-old Arts and Industries building has been refurbished and air-conditioned for the enjoyment of the public and the safety of its exhibits. The National Zoological Park is in the midst of a long-planned program of modernization and beautification, and badly-needed space for public enjoyment and education has been added to the Museum of Natural History.

During the same period, the Smithsonian has developed new ways of bringing enlightenment and pleasure to additional millions of visitors, and to others who never visit Washington. The Festival of American Folklife has helped to awaken an interest in the folkways and ethnic roots of all the peoples who make up this country. The National Associates program, and its Smithsonian magazine, have brought the Institution closer to millions of Americans throughout the country, as has the expanded Traveling Exhibition Service.

Have these dramatic successes in the diffusion of knowledge been achieved at the expense of the increase of knowledge? Emphatically not. The Smithsonian tradition of research in the sciences, humanities, and art has also been well served during these years, and constitutes the foundation upon which all other Smithsonian activities rest. Whether one thinks of the pioneering work of the Smithsonian Astrophysical Observatory, of the definitive Encyclopedia of North American Indians, or of the Freer Gallery's studies of ancient bronze, it is clear that the Smithsonian continues to attract first-rate scientists and scholars, and to provide a setting in which they can freely and fruitfully pursue work of incalculable value to all mankind.

Finally, it should be emphasized that every one of the achievements mentioned above was in one way or another made possible by support from both the public and the private sector. This is the tradition of the Smithsonian Institution, and has been for more than 130 years. It is a tradition that adds immeasurably to the effectiveness of the funds granted to the Institution by the Congress.

Sincerely yours,


S. Dillon Ripley
Secretary

PRINCIPAL OFFICIALS OF THE SMITHSONIAN INSTITUTION
RESPONSIBLE FOR ADMINISTERING ACTIVITIES
DISCUSSED IN THIS REPORT

<u>SECRETARY</u>	<u>FROM</u>	<u>TO</u>
S. Dillon Ripley	1964	Present
<u>UNDER SECRETARY</u>		
Robert A. Brooks	1973	1976
<u>ASSISTANT SECRETARIES</u>		
Robert A. Brooks (The Assistant Secretary)	1972	1973
Charles Blitzer (History and Art)	1968	Present
David Challinor (Science)	1971	Present
Paul N. Perrot (Museum Programs)	1972	Present
Julian T. Euell (Public Service)	1972	Present
John F. Jameson (Administration)	1976	Present
<u>TREASURER</u>		
T. Ames Wheeler	1968	Present
<u>GENERAL COUNSEL</u>		
Peter G. Powers	1964	Present

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS